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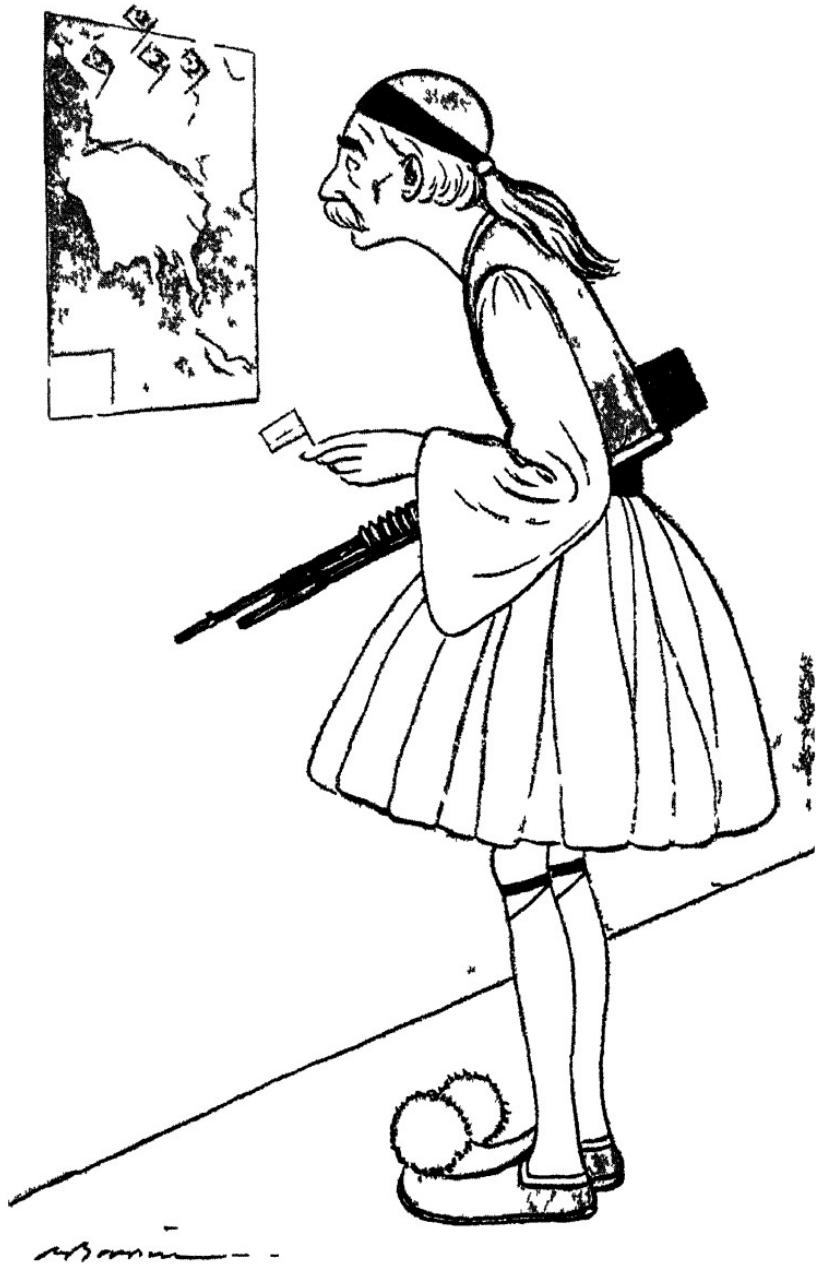


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# THE MAN BEHIND THE SCENES





BASILE ZAHAROFF

Ah ! pour l'amour du Grec, souffrez qu'on vous embrase

*Cartoon from "Fantasio," 1st Nov., 1922*

THE MAN  
BEHIND THE SCENES

*THE CAREER OF  
SIR BASIL ZAHAROFF*  
“The Mystery Man of Europe”

by

Dr RICHARD LEWINSOHN  
Financial Editor of the  
*Vossische Zeitung*

London

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*A letter from M. Skuludis, formerly Greek Prime Minister  
and Minister for Foreign Affairs, to the Author*

Athens, May 7th, 1928.

MY DEAR SIR,

It is with pleasure that I comply with your request for a few lines concerning the personality of Sir Basil Zaharoff as a preface to your book.

I made the acquaintance of Basil Zaharoff about fifty years ago in Athens. He was young, enterprising, and intelligent, but opinion about him was divided in Athens society at that time. Some treated him with the mistrust with which the most disreputable individuals are regarded, while others thought him the victim of malicious misunderstanding. Basil Zaharoff had just then come from a trial in London, where he had emerged as the moral victor from a scandal disseminated by ill-informed or evil-minded persons. I took the trouble at the time to investigate carefully the records and the reports of the trial in the English newspapers, and to study all the details of the affair which led his calumniators to spread their scandalous stories about Zaharoff.

Since then our personal relations have developed most cordially, and I must confess that I have read with increasing astonishment the untruths, inaccuracies, and malicious reports which have been

published in the newspapers about the origins, the past,  
the achievements, and the character of Basil Zaharoff,  
by whose friendship I am honoured.

I hope, my dear sir, that these lines express clearly  
and frankly what I think about Basil Zaharoff.

Believe me, etc.,

ETIENNE SKULUDIS.

•

## THE MAN BEHIND THE SCENES



# **CHAPTER I**

**BAPTISM IN ASIA MINOR**

**MASSACRE OF GREEKS IN CONSTANTINOPLE**

**FLIGHT ACROSS THE BLACK SEA**

**ZACHARIAS BECOMES ZAHAROFF**

**TOURIST GUIDE AT THE GOLDEN HORN**





## CHAPTER I

There is a baptism taking place in the Church of the Holy Virgin at Mughla. An old woman is carrying her grandchild carefully into the place of worship, followed by the father and all the relations. Impoverished as life is among the mountains of Asia Minor, even here the splendour of the Greek Orthodox Church is maintained. The new arrival, who first saw the light two days ago, is received solemnly into the community of the faithful. None of the rites is forgotten. Hymns and prayers. The grandmother holds the little boy over the font. The pope Daniel, the chief priest of the district, sprinkles the infant with holy water and makes the sign of the cross with a ceremonious gesture.

As it is the first son, he receives, in accordance with Greek custom, the name of his grandfather, Zacharias, and in addition the Christian name of his father, Basileios. Carefully, so that even after fifty or a hundred years the record will be there, it is written in the baptismal register that Zacharias Basileios Zaharoff, the son of Basileios Zaharoff and his lawful wife, Helene, was born on October 6th, 1849, in the parish of Mughla, and baptised there on October 8th, according to the manner prescribed by the Orthodox Church of the East.

The event certainly did not stir the world, and there was nothing whatever to indicate that, in this remote, decaying little Oriental town in the south-west of Anatolia, the life of one of the greatest and most powerful leaders of industry in Europe had begun. Another Greek boy was born. He would grow up on the soil which saw the origins of Greek culture, where the columns of ancient Hellenic temples and the ruins of magnificent theatres still project above the wretchedest of huts. But he would probably have no inkling of the significance of all these glories of antiquity ; he would pursue his trade, industriously, capably, like the other Greeks in Turkish Asia Minor, as an artisan, a carpet-weaver, or a merchant. He would visit the neighbouring port of Jova and the Aegean Sea ; he would sail out to one of the numerous islands which form a bridge between Europe and Asia ; and, if he were very enterprising, he would make a journey to Crete, or even across to Greece, where a generation ago his countrymen had shaken off the Turkish yoke.

The Zaharoffs were certainly a restless family. The father of young Zaharoff came from high up in the north, from Constantinople. His ancestors had dwelt in the old Greek quarter of Tatavla in Constantinople, their name at that time being Zacharias. During the Greek war of independence, in the twenties of the nineteenth century, the Greeks were cruelly persecuted, and, at the first news of their revolt, the Turks in Constantinople took a terrible revenge. Since

## MASSACRE OF GREEKS IN CONSTANTINOPLE

the time of the Byzantine Empire the capital of the Turks had also become the capital of the Greeks. In no place in ancient Hellas were so many Greeks living together as on the Bosphorus. They dwelt, however, in special districts, strictly separated from the Turks. It was therefore all the easier to seize them and take vengeance. Political hostility and religious fanaticism co-operated to produce the catastrophe on Easter Day in the year 1821. The Turkish population penetrated the Greek quarters, stormed the cathedral, tore the Greek Orthodox Patriarch of Constantinople, Georgios, from the altar—Mass had just been concluded—and, as a sign of victory, hanged him at the entrance of the cathedral in his gold embroidered vestments. The corpse was then dragged through the streets and finally thrown into the sea.

This first murder was only a signal for a general Greek massacre. The Orthodox churches were sacked and set on fire, and a slaughter of the Christian population took place such as had not been paralleled since the Turkish wars. Hundreds of prosperous Greek merchants were killed. In the country, to which the persecution of the Greeks spread, the movement of revolt only received a new impulse. But for the Greeks in Constantinople there was neither escape nor the possibility of offering resistance. Their position became even worse when their last protector, the Russian Ambassador in Constantinople, who was himself threatened by the Turkish populace, broke off

### SIR BASIL ZAHAROFF

Bosphorus, and the father, who had been cast by chance in this God-forsaken spot among the mountains, was also thinking all the time how he could get back to Constantinople. He had seen a good bit of the world. On one occasion he had even come to England as a cloth merchant. He knew the Europe of the day, including Manchester, with its machines and smoking factory chimneys. He had stood in amazement before the greatest wonder of the world that engineering had yet produced—the first railway. Was he now to pass his days a hundred leagues away from the capital? An end should be made to this voluntary exile. As soon as he could manage it he set out with his whole family for Constantinople.

For those who come from the West, Constantinople is the gateway to a fairyland, a land of contemplation, of busy idleness. For the Zaharoffs, who were fleeing from the solitude of an Asiatic provincial town, it was the gate to the great world. Here was the metropolis, here were wealth and splendour, here life was full, here might be seen to what height a man could rise if he were capable and lucky. In the district of Phanar, on the Golden Horn, were the houses of the wealthy Greek merchants, and from here they sent their ships over the whole Mediterranean, and controlled commerce far into Asia.

Even in the poorer Greek quarter of Tatavla the world had a different aspect from that which it wore in the mountains of Anatolia. The streets which wound their way up round the Church of St. Demetrius were

narrow and dirty, and if it were not for the lack of lattices at the windows a stranger would have no indication that these dwellings belonged to Greeks and not Turks. Yet even in this poor quarter a breath of the great world was felt. The streets still bore the names of the Greek artisans who had inhabited them for centuries and had been compelled to build the fleets of the great Sultans. Here lived the *direkdjibaschi*, the carpenters who made the masts ; there the *vareldjibaschi*, the coopers, and the gunsmiths ; and, a street farther on, the borers and the woodcarvers. For the most part they were Greeks who, like Zaharoff, came from the south, from the coast of Asia Minor or the islands. As slaves and captives the Sultans had brought them back from their campaigns and settled them before the gates of Constantinople. As late as the nineteenth century the Greeks of Tatavla had to pay for their peace and security by heavy tribute and continual presents to the Turkish police. Among themselves, however, these oppressed and often humiliated people were proud of their descent. The Greek community in Tatavla had become a focus for the Greeks who were scattered far and wide in the East. Prosperous merchants had migrated, but from Odessa and Cairo and even from Paris they kept up a connection with their countrymen on the Bosphorus.

The great Greek colony in Tatavla, so far as mutual help and support against the Turks was concerned, was certainly a model. When a collection went round for the purpose of liberating an unjustly sentenced

Greek compatriot from prison, or of sending a token of friendship to the Government officials, whether it was to the big or the little *voivodes*, or even only the *jassakdji*—the local policeman—nobody held back. In other respects, however, everybody was very deeply and zealously intent on his own profit. Everywhere the Greeks are good merchants ; particularly are they so in Constantinople. In any case, the other party to a transaction has also two eyes and ears and can take care that he is not the loser !

It was in this environment that the young Zaharoff grew up. His father took pains to give his son a good education, so that his life should be easier than his own had been, but it did not amount to very much. There were four hungry mouths waiting at home. In addition to Zacharias Basileios, the only son, there were now three daughters—Sebastie, who had been born in England, and two genuine Greek maidens who answered to the melodious names of Zoë and Charikleia. Relations helped as much as they could. A brother of Madame Zaharoff, the prosperous Antoniades, gave the Zaharoffs a lodging in his own house. In the comfortable three-storied wood building—which still exists in Tatavla—the future Sir Basil spent his early youth. From here he went every day to the Greek school. Young Zacharias Basileios was regarded as an industrious, intelligent pupil. His father, however, was not in a position to support him after he had learnt reading, writing, and a certain amount of arithmetic. A wealthy compatriot named Iphestidi,

who lived in the aristocratic Greek quarter of Phanar, was prepared to send the gifted youth from Tatavla to the English school at his own expense, to maintain him till he was eighteen years old, and give him the best education that was possible in Constantinople.

Young Zaharoff made good use of the subsidy which fell so unexpectedly into his lap. At home things were becoming more and more difficult. His father had lost the little money he possessed in a few unlucky transactions, and the son had to help keep the family's head above water. He did some business as a money-changer, but he did not despise any other kind of work or transaction which would bring in a few piastres, even trying to make his way as a fireman. He soon realised that more was to be got out of the foreigners who visited Constantinople than from his own countrymen. He hung about hotels to pick up an occasional job as a tourist guide or to undertake any other commission that was offered. He was tempted, not only by the inconsiderable profit which he made by such occasional employment, but even more strongly by the opportunities thus provided for getting to know men and peoples, especially those who came from the West.

For another thing that Zaharoff soon recognised was that the world to-day lies in the West. Mughla, Asia Minor—he had almost forgotten them already. That world lay behind him, and it was best not to speak of it any more. Even Constantinople, in whose ports ships gathered from all the countries of the

## SIR BASIL ZAHAROFF

world, was only a starting-point. If the world was to be conquered, it must be entered from a place where the fez and the cupolas of mosques were left behind. He as yet knew only what his father had told him concerning his travels in England, and what he himself had learnt in the English school. Nevertheless, this sufficed to arouse in him the desire to go westward as soon as possible. If he had only had ten pounds in his pocket he would have preferred to chance it without waiting for the morrow. But he was not reckless enough to venture abroad without connections and without money.

To enter this new world he needed first of all a knowledge of languages. Constantinople, the boundary between East and West, is a language school such as is no other town in the world. Hardly anywhere else on earth is there such a mingling of speech as on the great bridge across the Golden Horn. All the idioms of the Orient are represented ; Greek and Turkish, Bulgarian and Roumanian, can be heard at the same time. The educated classes from the European quarter of Pera converse in cultured French, and sailors contribute English. Travellers from Austria, close neighbours of the Turks, converse in German ; merchants from south Russia and Italians, who control the ancient Roman shipping route across the Black Sea, speak the language of their own countries ; and this is blended with the antiquated Spanish of the Hispanic Jews from the Ghetto of Balat. From this Babel, Zaharoff tried to extract

whatever he could that might be of use to him. With a linguistic gift—by no means rare in the Levant—he endeavoured to make himself understood in as many languages as possible, and even as a young merchant he could hold his own in all the languages of the Balkans, could speak French well, and had a useful knowledge of English.

Yet in spite of his application and adroitness, in spite of his diligence and business talents, the twenty-year-old Zaharoff still found it very difficult to make a living. His daily earnings only sufficed to carry him over the following day, and there could be no thought of the saving which was essential for the establishment of a regular livelihood. So he was overjoyed when a maternal relative—his uncle, Sevastopoulos—offered to take him into his business. Sevastopoulos was a highly respected cloth merchant in Galata, the docks quarter in Constantinople. He had connections with foreign countries, and had, in the course of time, become a wealthy man, but the business had suffered from the proprietor's poor health. Zaharoff was engaged to help his uncle as a relation and confidential agent.

His irregular life, his hanging about in front of the Galata Exchange, his waiting for something to turn up—all this was now at an end. For the first time he came into contact with a business concern the books of which were kept in a regular manner, and, though things were not done so accurately and punctiliously on the Bosphorus as in the City of London, it

### SIR BASIL ZAHAROFF

none the less provided the best apprenticeship for a Levantine merchant. Zaharoff was soon at home in his new field of work. Even Sevastopoulos acknowledged the skill and amazing energy of his nephew. For a couple of years everything apparently went well, until a painful episode put a sudden end to the first stage of Zaharoff's industrial career.

## CHAPTER II

SUSPECTED OF THEFT

ZAHAROFF TELLS HIS EXPERIENCES  
IN ENGLAND

A PRISONER AWAITING TRIAL

A DRAMATIC COURT SCENE

THE UNCLE SAVED FROM PERJURY

RIGHT ACROSS EUROPE TO ATHENS



## CHAPTER II

The rise of talented young men to wealth and power is not always accomplished without some blemish. The second and third generations can afford to be correct to the last detail, but those who themselves emerge from the depths, and want to press forward swiftly to the front rank, have a more difficult task. The boundaries between honesty and dishonesty, between a successful stroke of business and a petty swindle, cannot in real life always be so sharply drawn as in a legal code. Even when the public prosecutor does not find immediate cause for setting the law in motion, people who have been worsted in a transaction will insist that they have been cheated, and their words will often enough find an echo. In this way stories have been woven round nearly every famous self-made man, which, in most cases, exhibit in no very favourable light those whose success has been swift and whose achievements have been great.

The story of Sir Basil Zaharoff's youth is a chapter in itself that cannot be compared with the early heroic deeds and beginnings of other great leaders of industry. For not only are there vague stories of shady transactions which, if the stories were true, ought in justice to have brought young Zaharoff before the *kadi*, but statements much more tangible and blunt

still circulate in Constantinople and Athens—and in the most serious political and industrial circles. Zaharoff is explicitly accused of having stolen in his youth. It is said that he absconded with his uncle's cash, that he went to prison for it, and that he made a daring escape. There is even a widespread version in the Balkans that when Zaharoff fled from prison he had been guilty of murder. He is said to have shot a warder who tried to stop him. With the money he embezzled he was supposed to have made his way to London and there laid the foundations of his financial career. That is what people say and what they believe. There still lurks in the capitals of the East the memory of this mysterious story. Whenever the name of Zaharoff is mentioned there is sure to be someone present who unloads it afresh and provides it with a new turn. How much is truth, how much legend? It is certainly not easy to say what actually happened in Constantinople more than half a century ago to form the starting-point of all these tales. Zaharoff probably liked at times to pose as a hero and adventurer when, as a young man, he was conversing with a small group of acquaintances, and he himself may possibly have added from his imagination something to what people were saying about him. Later on, when success in business had brought him to the top, and as a captain of industry in western Europe he was being made the recipient of offices and dignities, he veiled this period of his life in an impenetrable silence. It was as though he had wiped it out of his memory

#### SUSPECTED OF THEFT

just as formerly he had erased from his mind his childhood years in Asia.

We nevertheless owe to a lucky accident an authentic account which Zaharoff gave to one of his most intimate friends, Etienne Skuludis, who later became Prime Minister of Greece :

" I was requested by a maternal uncle in Constantinople," relates Zaharoff, " to enter his business. He was a man of weak constitution, and his numerous illnesses limited his commercial activity. I endeavoured to take his place and to look after his interests whenever I could. I worked most zealously day after day, and so it came about that I soon represented him in most matters connected with the administration of the business.

" My work turned out extremely profitable. At the end of the first year I was already able to submit to him a balance-sheet which showed a considerable net profit. My uncle acknowledged this, praised me for my zeal and business acumen, and invested me with the commercial administration of his firm. A second year went by. The balance-sheet which I drew up at the end of this year showed a considerable increase in the net profits. I then received from my uncle a letter in which he thanked me most warmly for the good results, and, at the same time, made me his partner. I was to participate in future in the profits of the business, with a commission of so and so much per cent.

### SIR BASIL ZAHAROFF

“ After some months had passed I expected my uncle to give me something on account of my commission, but my hope was vain and I received nothing. Towards the end of the third year of my activities, I requested him to fulfil his obligations and pay me my commission. He again refused. He thus deliberately violated the contract which he had given me in writing. He failed to fulfil his promise.

“ In these circumstances it appeared to me impossible to work for him any longer. I resolved to leave the firm in which I was thus deprived of the rewards of my labour, but I considered myself justified in taking the sum my uncle owed me from our common account, for, after all, I was his partner. I acted in accordance with my decision, and drawing up an exact statement of the balance in my favour, withdrew the amount from the safe, and went to England to set up on my own. First, however, I informed my uncle. I wrote to him in due form that I was retiring from his firm since he had not fulfilled his obligations, and that I had collected my outstanding commission.

“ When my uncle received the letter he fell into a rage. He knew, of course, that his business had only been resuscitated by my efforts, and that my departure meant a severe loss to him, so he wanted to take his revenge. He brought an accusation against me, and, since I was no longer subject to Turkish justice, he pursued me through the English judicial authorities, finding no means too expensive to make me feel his anger and his power.

## TELLS HIS EXPERIENCES IN ENGLAND

" At first he succeeded. I was asked to go to a police station in London, and the indictment was read to me which had been drawn up in Constantinople. I was accused of embezzlement and fraud. The charges brought against me by my uncle appeared to the authorities to be plausible. Circumstances were against me. I had left Constantinople suddenly, and the last letter I had written to my uncle confirmed the fact that I had taken money from the safe of our business. I had no means of proving my innocence and the legality of what I had done, for I had lost the only document on which I could base my claims, namely, the letter in which my uncle had made me a partner in the firm. All my explanations and assertions were of no avail ; I was not believed ; I was arrested, and put in prison to await trial.

" Weeks and months went by. Finally the day was fixed for the trial. The lawyers whom my uncle had engaged in London appeared after all to be not too sure of their ground. They requested him to appear in London at the trial to corroborate his charges against me on oath. And, indeed, my uncle did not mind paying for his revenge. In the midst of winter he undertook the long journey from Constantinople to England, and appeared in London in time for the trial. The day approached. I still did not know how I was to prove my innocence to the court, for my uncle's letter, which would immediately have eliminated all doubt, could not be found. If my uncle were to take

## SIR BASIL ZAHAROFF

it upon himself to swear a false oath, and the court believed him, I was lost.

“ All my ponderings did not help me. The warder opened the door of my cell and ordered me to follow him to the court. The English winter is severe, and the morning when my case was to be tried was particularly cold. I had in my trunk a warm cloak which I had not worn for a considerable time. I put it on, for I was unaware that accused persons in England are not taken to the court through the open streets. Instead of this, the warder led me through a long subterranean passage which connected the prison with the court-house. The passage was damp and musty, and the wintry cold pierced all my joints. I wrapped myself tightly in my cloak and buried my hands deep in the pockets.

“ My fingers touched a paper, I looked at it—and gave a shout of joy. It was my uncle’s letter in which he appointed me his partner—the very letter that had gone astray for so long and for which I had sought everywhere in vain. I could now appear in court with a tranquil mind, for I was sure of my case. My uncle was already sitting there with his lawyers. There were some journalists and a few curious spectators. Then came the judges. Thus the case was tried and the question of guilt decided with full publicity.

“ The chairman of the court first of all asked my uncle what was his accusation. My uncle replied that I had stolen his money and absconded with it to England. The chairman ordered me to reply to my

## A DRAMATIC COURT SCENE

uncle's charges. I replied that I was innocent ; that my uncle had appointed me his partner, and that this justified me in having recourse to the safe and withdrawing the money that was due to me. This concluded the interrogations. The statements were again opposed, as in the preliminary examination, and it all depended on whether the court gave more credence to my uncle or to me. Although the chairman did his best to extract the truth, circumstances were against me, for I was the accused, and as a matter of course it was supposed that I would tell lies to help myself. My uncle, however, appeared in the capacity of witness, and therefore could make his statement under oath. And so it was. The chairman raised the Bible, which lay on the table in front of him, held it out to my uncle, and directed him to swear on the gospels that he had told the truth and nothing but the truth.

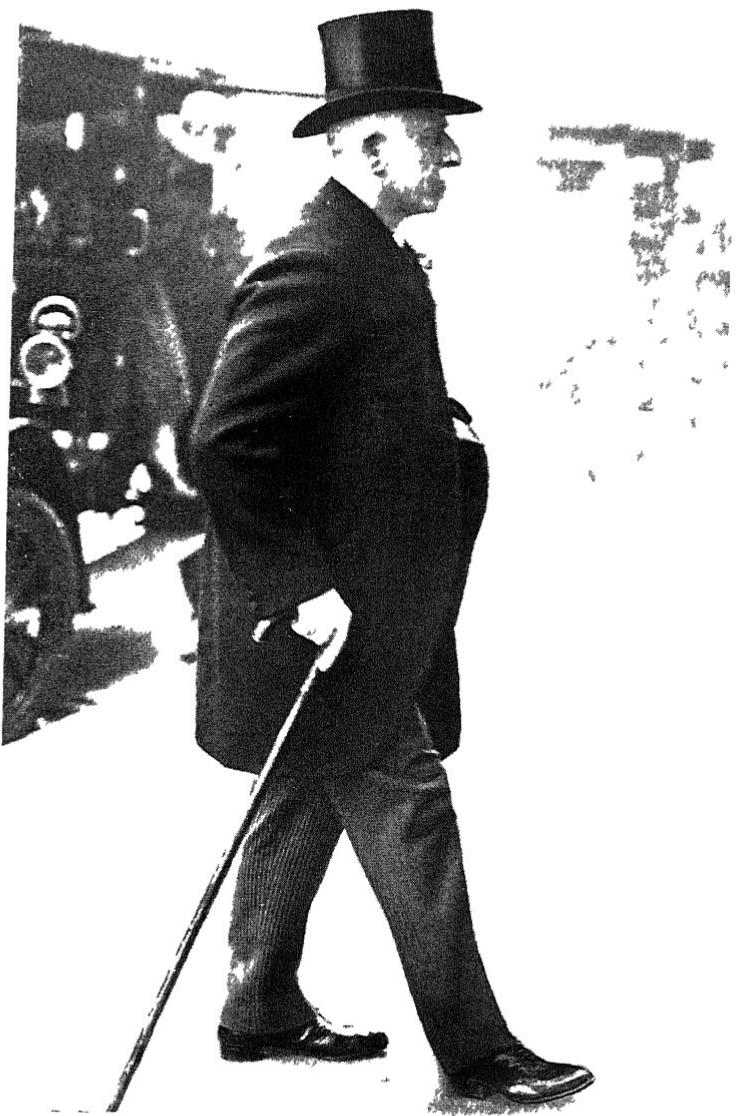
" In the court there was dead silence. Everyone felt that my fate would be decided at this moment. I myself was still unwilling to believe that my uncle would let himself be carried by his hatred of me so far as to swear a false oath. But he was actually about to testify to his statement. I then turned to the chairman and cried out, ' Mr. Chairman, do not permit him to take the oath, for he will certainly commit perjury ! '

" There was the greatest excitement in court. My uncle appeared to be thunderstruck. All eyes were suddenly directed at me. The chairman broke off the preparations for taking the oath and asked me in a

severe tone what I meant by such an interruption. I told him the truth—that a few minutes ago I had found my uncle's letter, with his own signature, appointing me his partner. With these words I handed the paper which I had discovered in the pocket of my cloak to the chairman. He examined it, but naturally he could not decipher it, since it was written in Greek. He directed the Greek interpreter who was present at the trial to translate it into English. The wording of the letter was so clear that there could be no quibble as to its meaning.

“The chairman asked my uncle a final question as he held the letter in front of him—‘Is this your signature?’—and my uncle, though he had just been ready to deny everything on oath, broke down completely, and was obliged to acknowledge the validity of the letter and of his signature. In order to make quite certain, the chairman put my uncle on oath again in regard to this statement. This concluded the trial. The court ordered that I should be set free immediately.”

In reading this story one is reminded of the *Arabian Nights*, of the stories of innocence accused, of spiteful myrmidons and wise judges, to say nothing of the good fairy who clears up everything at the end and metes out justice to everyone. Zaharoff's story of his miraculous rescue by a letter which he found in the pocket of his winter overcoat at the psychological moment might be regarded as another Oriental tale were not the course of the trial known to be, by reports



SIR BASIL ZAHAROFF IN LONDON, 1924



## THE UNCLE SAVED FROM PERJURY

in the London newspapers, much as he describes it. Whether Zaharoff, as he himself says, only discovered the important letter accidentally just before his trial, or whether he had put it in his pocket beforehand as his most important evidence, is, after all, immaterial to the course of events.

The undoubted facts are—Zaharoff's own story, the public reports of the trial, and the rumours which circulated later about the case are agreed in this—that Zaharoff had already in Constantinople shown himself to be an adroit business man, that under his control his uncle's firm had received a great impetus, and that he had a claim to a financial share in this success.

That the arrangements between uncle and nephew did not follow an altogether smooth course, that the old man was unwilling to part with the money that he had promised, and that young Zaharoff insisted on the fulfilment of the bargain—all this did not make the case particularly noteworthy. But the way in which Zacharias Basileios Zaharoff “settled” the dispute for his part is characteristic of the severity which has distinguished him throughout his industrial career. Young Zaharoff thought that somebody was putting him at a disadvantage. Good. He would take his revenge. While his uncle, the chief proprietor of the business, was in Odessa, Zaharoff took it upon himself to act the bailiff. The taking of his share—a laconic letter to his uncle—and he was gone.

Even though he believed himself to be in the right

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Constantinople had become too hot to hold him after this manœuvre. He fled abroad, a couple of thousand miles away, to become submerged in the vastness of London. A neat jump, from the East to the West, which leaves nothing to be desired in the way of romance ! Whatever the old man in Constantinople might do, he would be safe from unpleasant consequences among London's millions. He was mistaken, however. In the seventies of the last century justice had already learnt to overleap national boundaries, and, though it worked more slowly than the individuals whose tracks it pursued, it nevertheless now and again overtook its prey. Thus the first thing that Zaharoff gained in the very country where he later achieved his great wealth and the highest dignities was an introduction to the prison system. A disagreeable overture which, however, did not discourage him.

The trial in London, in spite of its fortunate termination for Zaharoff, none the less aroused such inconvenient interest that it was impossible for him, for the time being, to attain any commercial success in England. Europe could not, after all, be conquered so easily as Zaharoff had imagined on the Bosphorus, and when a foreigner has begun by making the acquaintance of the Old Bailey, the public prosecutor, and the jail, he finds all doors closed to him.

Zaharoff realised that his first attempt to establish a position in the commercial world had been wrecked. Even though he had won his case, and his uncle had

made the long and costly journey from Constantinople to London for nothing, the final result was that he himself had come off worst. The money he had brought with him from Constantinople was soon exhausted. He continued to look round for a time in western Europe, but nowhere did he succeed in establishing a firm foothold. His bold excursion to the West had miscarried. Nothing remained but to take the route again to the south-east. He did not indeed dare go to Constantinople, for, in spite of the London verdict, he might again be charged there, and perhaps Turkish justice would be less discerning than English.

It would be easier for him, as a Greek, to find a haven in Greece. Certainly Hellas was not really his native country, but at any rate the Greeks were his countrymen, and would not leave him in the lurch. Athens had gradually grown out of the provincial seclusion into which it had sunk under Turkish domination, and had developed into a fairly important middle-sized town. The old port of Athens, the Piræus, had been stirred to new life, and had just begun to compete with the great harbour of the East, Constantinople. It was bound to offer a field of activity for a man as skilled in business and in languages as Zaharoff. The road to Athens via Constantinople and London, twice across the whole of Europe, was rather circuitous ; the direct route across the Ægean Sea would have been more convenient for the Greek who came from Asia Minor : but his years of travel were by no means fruitless. With the half-Anglicised name

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of Basil Zaharoff he returned to the Balkans, a seasoned European. He was acquainted with every business trick of the East, big and little, and he had been a keen observer of the way business was done in the West. Surely he was now bound to succeed !

## CHAPTER III

A VALUABLE PATRON

ZAHAROFF OSTRACISED BY ATHENS SOCIETY

THE CONVICT OF GARBOLA

ZAHAROFF "SHOT WHILE TRYING TO  
ESCAPE"

THE "DEAD MAN" RETURNS

JEALOUSY COMES TO A BAD END

ZAHAROFF ENTERS THE ARMAMENT INDUSTRY



## CHAPTER III

Athens was a disappointment to Zaharoff. How small and mean everything was after the metropolis of London, how meagre and backward its industries ! Here was no longer the motley colouring of the Turkish Orient. The people were trying to Europeanise and modernise themselves. All round the Acropolis streets had been built on the Western model, but everywhere impoverishment, lack of initiative and enterprise, could be felt. Fundamentally the town was living only on its reputation and the memories of antiquity. Since it appeared impossible to create an industrial centre on the sterile soil of Greece, an attempt was being made to turn Athens into an intellectual centre. Academies, libraries, and vast museums were being built, scholars and artists from all over the world were collecting in Athens, and the better minds among the younger generation in Greece were flocking to the city.

Zaharoff had little use for this world of the mind. He regarded art and the historical sciences as a luxury which could be dispensed with. The problems that were here discussed—how the Temple of Zeus should be restored and the new finds exhibited—interested him not at all. Such matters did not bring in money or lead to commercial success.

He was, however, of necessity bound to come into contact with the young Greek intellectuals who had settled in Athens. His intelligence and attractive bearing, and particularly his knowledge of languages, procured him an entry into Athens society—until people heard of the charges made against him, and it became public knowledge that he had been arrested in London. His acquaintances avoided him, the houses of wealthy foreigners were closed to him, and even his Greek compatriots would have nothing more to do with him. Zaharoff was stamped as a thief, a rogue, and a vagabond who had dishonoured the name of Greece abroad.

The only house which still offered him hospitality was that of the politician Skuludis. Etienne Skuludis, who became later the leading statesman and one of the richest men in Greece, hailed from the same part of the world as Zaharoff. He grew up on Turkish soil. His birthplace was the island of Chios, not far from Smyrna, but his actual home was Constantinople. His family was numbered among the most respected of the Greek merchants on the Golden Horn, and, since Etienne Skuludis even as a young man had manifested an interest in the political and social conditions of his countrymen, he found it easy to acquire a leading position in the great Greek colony at Constantinople. He had already tried his hand at high politics. He had won a reputation with a series of essays that he wrote from Constantinople for the Athens newspaper *Ora* ("The Hour"), and was thereupon called to

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Athens in the year 1876 by Trikupis, the most prominent Greek statesman of the time.

Skuludis was a man of unusual education, and to be a friend of his was regarded as a distinction. Although he had not been living long in Athens, his house was a social centre, a meeting-place for all who looked towards the West and for celebrated travellers from Western Europe. In this international circle Zaharoff was able to employ his talents, and showed up to excellent advantage. The master of the house soon became interested in Zaharoff, who was five years younger than himself. This versatile, unusually handsome young linguist was the type of man whom Greece needed if she were to rise to the top again and win friends and esteem in Europe. If his economic success at the age of twenty-seven were still small—and, as people said, he occasionally had to borrow from his friends to pay his rent—that was certainly no discredit. He was striving, he had a clear head, and he would make his way all right one day.

Then it struck Skuludis that the other young people avoided Zaharoff and turned their backs on him. The space round him suddenly became empty. He was shunned and cut even in the house of Skuludis. There was something wrong. Etienne Skuludis urged his friends to tell him the whole truth and say candidly why young Zaharoff was being ostracised. He did not have to wait long for an answer ; he learned of the Constantinople affair, Zaharoff's so-called embezzlements, his daring escape, the prison in London—all

the gossip in circulation on the *Ægean* Sea was poured into his ear, and everyone had something fresh and piquant to add.

Skuludis was indignant, and resolved to show Zaharoff the door should he again venture to appear at his house.

Athens was small. The rumour swiftly went the rounds that the clever Monsieur Skuludis had allowed himself to be duped by Zaharoff. Naturally Zaharoff also learned that his last friend and patron was going to throw him over. If it were true, then Athens was a lost hope. His friendly relations with Skuludis were his last stand-by, with which he could not dispense. If they were broken off, his position would be economically impossible. It was a matter of life or death for him, no more and no less.

If, in the circumstances, he were to lose time, it would be as good as admitting that all the accusations and suspicions were justified. So he made a final attempt to save himself. He scraped together from among his papers all the proof he could find from the London period to support his innocence. It was not much. He had neither a written copy of his acquittal nor any document stating that he had been set free from prison and had not escaped, as was rumoured in Athens. He did find a few newspaper clippings of the trial. These he put in his pocket and went straight to Skuludis.

The latter was surprised at the unwelcome visit, but he had no time to carry out his intention and have

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Zaharoff thrown out. For Zaharoff was already bubbling forth a deluge of excuses and accusations, his whole body trembling and his eyes filled with tears : " You, my dear Monsieur Skuludis, have also given credence to these infamous suspicions which pursue me everywhere ! Good. Listen to the truth. I'll give you a full account, for you have given me so many proofs of your kindness. Listen to me and judge for yourself ! "

The extravagant manner in which young Zaharoff burst out with these words was in his favour. Skuludis was unable to resist this fiery overture, and listened calmly while Zaharoff repeated the story of the trial. When the latter observed that he had again won the ear of his exalted patron he cooled down considerably, for he knew how to run the whole gamut of emotions. Objectively, soberly, almost drily, like a police report, he stated his experiences in Constantinople and London. And as proof of what he said he drew the newspaper clippings from his pocket. Skuludis examined them, and was firmly convinced of his young friend's innocence. Zaharoff had fallen a victim to calumny. He must be supported against his slanderers, and the matter cleared up wherever and whenever an opportunity offered.

Skuludis gave himself considerable trouble to convince his countrymen of Zaharoff's innocence, but it was not easy. The reports about him which came from Constantinople were too unfavourable, and his acquittal by a London judge was too miraculous to be

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believed without more ado. Zaharoff was unable to get rid of the reputation that clung to him, and his career in Athens was probably at an end. He seized the first opportunity to go abroad again. As soon as he had enough money for the journey, and had, in addition, a small business transaction to carry out, he disappeared unnoticed and made his way to England.

A couple of months went by without Zaharoff's disappearance attracting any particular attention. He was not seen about anywhere—well, who had ever taken any notice of him, anyhow? But one day, when his name had pretty well sunk into oblivion, it suddenly emerged in a newspaper. In the *Mikra Ephimeris*—the *Petit Journal* of Athens—there was a new and extravagant story about him. The convict Basileios Zaharoff, it said, had made an attempt to escape from the old prison of Garbola, in Athens, but had been shot by a sentry at the moment of getting away.

The people who had always distrusted Zaharoff were triumphant. A criminal had met the death which a criminal deserved. What did it matter? The only remarkable thing was that Skuludis, who was generally so shrewd, had allowed himself to be deceived by such a fellow.

Skuludis himself was aghast. So what the others said about Zaharoff was true? For, after all, people were not sent without reason to Garbola, where only the worst scoundrels were imprisoned. In his heart of hearts Skuludis was still unwilling to believe the story, but the name Basileios Zaharoff was not so

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common that there could be any question of mistaken identity.

Some days later Skuludis received a telegram from Constantinople. Madame Sophie Negropontis, the daughter of Georgios Zarifi, a wealthy Greek, whose friendship with Skuludis dated from the time when the latter had been in Constantinople, begged him to tell her whether Zaharoff had really been shot by a sentry in the prison of Garbola. The enquiry was made on behalf of Zaharoff's sisters, who lived in Constantinople and had read of their brother's terrible death in a newspaper.

Skuludis saw in this telegram a confirmation of his own doubts. He went to the police headquarters to clear up the identity of the dead man in Garbola. The Director of Police, Monsieur Staikos, received Skuludis with fitting courtesy, but was unable to say much about the Zaharoff affair. He had heard from the governor of the prison that a prisoner had been shot while trying to escape, and that the body had been buried, as usual, on the next day.

" What did the dead man look like ? " asked Skuludis. The Director of Police was unable to give any information on the point. " Then it will probably be necessary to exhume the body and identify the corpse."

The Chief of Police was a little astonished at the remarkable interest taken by Skuludis in the episode, but the request of such a distinguished and influential politician could not very well be refused. Skuludis

therefore received permission to exhume the body of the shot convict. In order to make quite certain of its identity, he took with him an expert for the gruesome task—the dentist who, as he knew, had treated Zaharoff in his better days. The man was capable, and held a high opinion of his profession. “ Even if there is no more left of the body than the skeleton,” he declared, “ I shall know whether the teeth are Monsieur Zaharoff’s or not, for I stopped them myself. I shall recognise them at a glance.”

The expedition began. Equipped with carbolic acid as a protection against any poisonous effects the corpse might have, the two men, Zaharoff’s friend and his dentist, went to the cemetery where the dead Basileios was supposed to lie. The grave-digger appeared punctually, and it was an easy matter to clear away the few shovelfuls of earth which had been thrown on the criminal. Soon an unsavoury smell showed that they had struck the right spot. The few days that the dead man had lain beneath the shallow layer of earth had sufficed to bring about decomposition. One more dig with the shovel and the corpse appeared.

Skuludis gazed at the head with its foxy red hair. That could not be Zaharoff, who was fair. Meanwhile the dentist had begun his examination. He looked at the teeth for a moment and then gave a cry of triumph: “ This is certainly not Zaharoff ! ”

No doubt was possible. Skuludis hastened to the police headquarters to communicate his important discovery. An extensive investigation was begun, and

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it was revealed that the dead man, whom the newspaper had stated to be Zaharoff, was really a Canadian, a dangerous fellow who had been caught by the dock police in the Piræus just after he had committed a daring burglary on board an Austrian steamer. He had rifled the cabins of two South Americans and stolen some articles of value. He had then been locked up in the old prison in Garbola, from which it was not difficult to escape.

The flight had been prepared with considerable cunning. The Canadian had taken a detachable carbine with him in a sack, and had drawn a thick pair of stockings over his shoes to muffle his steps. With his bundle under his arm he had climbed on to the roof of the prison. He had brought out his carbine on the way and made it ready for action. His escape already seemed successful when a sentry called to him from the prison yard and ordered him not to move from the spot. The escaping prisoner was so startled that, for the moment, he hesitated to shoot. The sentry was more nimble. He fired a shot and stretched the thief on the roof of the prison.

This was the episode which was said to have cost Zaharoff his life. "And what about the prisoner Zaharoff?" enquired the police. There had never been a man of the name of Zaharoff in the prison of Garbola. The connection of his name with the death of a Canadian must have been due to a hoax, which the trusty prison officials were unable to explain.

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Skuludis investigated the mysterious matter further, and succeeded in clearing up the association. A well-known journalist in Athens, Stephanos Xenos, had played a malicious trick. He had already shown himself particularly hostile to Zaharoff, and had used his influence to render the latter unacceptable to Athenian society.

The cause of enmity between the two men was probably a love-affair which had once set the two men at loggerheads. The tall young Zaharoff, with his fair, wavy hair, his bold, aquiline nose, and a touch of the dæmonic in his light eyes, had just the qualities which make a man popular with the women of the south. With all his reserve he knew how to assume, when occasion demanded, the tone of a gallant and the bearing of a man of the world. His luck with women in Athens had brought him up against the vain, neurotic Xenos. It was an insignificant incident, which Zaharoff himself had forgotten on the following day. But the other had made a note of it, and neglected no opportunity to defame his rival. He was not content that Zaharoff had left the vicinity and was no longer staying in Athens. He wanted to annihilate him once and for all. In order to take complete vengeance, he utilised the death of an unknown convict. To have been shot in Garbola was equivalent to a moral death-sentence among all well-bred Greeks. And particularly so with the beautiful women of Hellas.

The malicious pleasure which Xenos felt when he

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read in the newspaper the notice that he himself had composed was considerable. But no less considerable was his fear when the fraud was discovered. Skuludis was indignant at this brazen and childish manœuvre, but he wished to avoid a public scandal, and had no desire that the *affaire Zaharoff* should be reopened. He accepted the incredible excuses which Xenos stammered out—the over-excitement of his nerves and the morbid imagination to which he now imputed his action. Skuludis contented himself with having established the truth, and sent the anxious ladies in Constantinople the glad news that their brother Basileios was still alive. This, he hoped, was the end of the tragi-comedy.

There was an unexpected sequel. Zaharoff's sisters in Constantinople had of course not only applied to Athens when they heard of their brother's death, but had also instituted enquiries in London, to discover whether he was still among the living. Zaharoff was not a little astonished when he heard in this way the news of his own death. At once he suspected that someone had been playing a spiteful trick, but, whoever the calumniator might be, he could not sit still under the charge. The case must be cleared up as quickly as possible. He left everything as it was and took the next steamer to Greece. The whole of Athens should tremble when the dead man reappeared to take a terrible revenge on his calumniators. This time no quarter would be given. He would settle his account with everybody, without exception !

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His entry into the Greek capital was, however, less tempestuous and sensational than he had imagined. The boat lay alongside in the Piræus, but, when Zaharoff's name was taken, not a muscle moved at the sight of a living corpse. Had it all been a mistake? Was it possible that his sisters in Constantinople had been taken in by a stupid practical joke?

He wanted to ascertain the truth. His first steps were to Skuludis, his paternal friend, who had helped him once before. He was received most cordially. Zaharoff had not miscalculated, but had knocked at the right door. Skuludis again became his champion and saviour. What Zaharoff particularly wanted to know, however, was the name of the man who had started this new slander, and scarcely had he heard that it was Stephanos Xenos than he lost all restraint. Uttering the fiercest threats, he rushed to Xenos to give him something to remember him by. The scoundrel should pay dearly for his trick. Zaharoff had not practised boxing for nothing. This Xenos should feel the weight of his fists.

Monsieur Xenos was sitting at his window, content that the disagreeable affair of Garbola had passed off so smoothly, when he saw Zaharoff in the flesh coming along the street. Was it a ghost which was pursuing him in broad daylight after having given him such bad nights? Had all the anxiety he had gone through this last week driven him mad? It was surely impossible. The ghost, in the person of Basileios Zaharoff, came straight up to the house. There was no longer

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any room for doubt. It was Zaharoff himself, come to thank him for his obituary notice.

Xenos thought his last hour had come. He called hurriedly to the maid that he was not at home, and that she was on no account to let the visitor into the house. Then he sought refuge by hiding behind the furniture. Zaharoff was already storming across the threshold. The girl tried to block his path, but he was not to be denied, for with his own eyes he had just seen Xenos sitting at the window.

He began a thorough search of the house, and with every step his rage increased ; but when he discovered his mortal enemy crouching on the ground and trembling in every limb, his anger disappeared at the grotesque sight. It was not Zaharoff's usual characteristic to spare the weaknesses of others, but even he had to surrender to the humour of the situation. His enemy broke out into laments, and begged the forgiveness of the man he had recently denounced. Xenos was in mortal fear, and ready to offer any apology and any satisfaction. He asserted time and again that he had himself been the victim of an error, and that no one regretted the incident more than he did.

Zaharoff enjoyed the first triumph of his life. In London he had himself been in the dock, and had been glad to regain his freedom. Here for the first time he was in a position to sit in judgment on someone else, and could taste to the full the power of the stronger, the superiority of the victor. He was content

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with this, and spared Xenos the thrashing he had intended to give him. Instead, the whole of Athens should acknowledge his rehabilitation, and he would not leave Greece until it did so.

In any case, he was not giving up much by staying away from London, for he had not taken England by storm, even on his second visit. He had saved a few pounds after some months of casual work, but he had not yet laid the foundations of a solid career. He did not care. After the victory over Xenos he was bound to make his way among his own countrymen.

Again, however, he had underestimated the difficulties. Athens was a small town, where people did not forgive and forget so easily. Even if Zaharoff had been unjustly treated, the worthy citizens had no use for people of his type, who are here to-day and gone to-morrow, and get into difficulties wherever they go. The social boycott was certainly no longer so severe as it had been, especially as his faithful patron, Skuludis, now took him under his wing with double solicitude. One or two houses were again open to him, but he was unable to get an economic foothold. He lived by occasional jobs, from hand to mouth, and his friends—for instance, Lampsas, the founder of the Hôtel Grande Bretagne—frequently had to help him over the next day.

A lucky chance—or, rather, the protection of his indefatigable friend, Skuludis—put an end to this nomad existence. Amongst Skuludis's foreign friends was a Swedish sea-captain who acted as agent in

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Athens for the Anglo-Swedish armament firm of Nordenfelt. The Swede had procured many a large order for his firm, and was now about to leave Greece on promotion to a higher post.

He was worried about a successor. Business in the Balkans is not everybody's affair, and even in London there was hesitation in sending an outside man to this difficult post.

A decision had to be made, however, and one day the Swedish captain called upon Skuludis officially and handed him a telegram which had just arrived from London : " Ask Skuludis whom he recommends for our business in the East." Skuludis, already a rich man, but only at the beginning of his political career, was obviously honoured at the confidence placed in him by the English firm. He asked whether he was really the person meant, for he did not know the English firm at all. The Swede replied with perfect courtesy that the name of Skuludis and the excellence of his reputation were sufficiently well known to the firm of Nordenfelt.

The Greek could not decline such a flattering request. He thought immediately of his protégé, Zaharoff. True, the latter had had no experience of the armament business, but he had an ingenious mind, a knowledge of languages, and uncommon energy. The stories in circulation about him, his arrest in London, and particularly the Garbola *canard*, rendered it difficult even for Skuludis to make the recommendation. He was cautious enough to draw his

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Swedish friend's attention to all these ominous episodes, and to suggest that he should make enquiries from the English and the Greek authorities. "If they turn out favourable," he concluded, "do not hesitate to appoint Zaharoff. The man will be useful to you."

This recommendation by Etienne Skuludis eased Zaharoff's path. Three days later he called upon his patron, unable to contain himself for joy and gratitude. He burst into tears, sank on his knees before his benefactor, and kissed his hands. Skuludis, for the moment, had no idea what all this fuss was about, until Zaharoff cried out : "But the captain has just told me that his firm has appointed me its agent for the whole of the Balkans on your recommendation."

This day, October 14th, 1877, saw the close of young Zaharoff's career as an adventurer—or, rather, the end of his little adventures. His entry into the armament industry was an entry into the world of great adventures, of big business, of high politics. For fully fifty years Basil Zaharoff had his hand in the game. The adventures of this half-century were no less daring than his jump from Constantinople to London, no less fantastic than the "shooting" at Garbola, except that it was no longer a matter of a petty merchant's safe, or the identity of a dead criminal, but of millions in money and the life of whole nations.

## CHAPTER IV

THE CZAR MOVES TOWARDS CONSTANTINOPLE AS  
LIBERATOR

GOOD SOIL FOR ARMAMENT MANUFACTURING  
FIVE POUNDS A WEEK

ZAHAROFF SELLS THE FIRST SUBMARINE

TRIAL SHOOTING IN VIENNA

MANŒUVRES AGAINST COMPETITION

RIVALS BECOME PARTNERS



## CHAPTER IV

Zaharoff's entry into the armament industry took place amidst thunder and lightning. North of Greece the whole of the Balkans were in a ferment against Turkish domination. The revolts and misgovernment in Bosnia, in Herzegovina, in Montenegro, in Serbia, and in Bulgaria, had developed into a great war. The "Czar-Liberator" Alexander had hastened to the help of his Slav brethren in the Balkans, and mighty Russia had mobilised against Turkey in order to extend her power and her sphere of influence farther to the south. "The Sick Man of the Bosphorus," whom the great powers had thought they could treat like a helpless invalid, put himself on the defensive with an amazing obstinacy. After a swift advance, the Russians sustained many reverses, but after six months' fighting the war appeared to be decided in their favour. Only one Turkish bastion—the fortress of Plevna, in Bulgaria—still held out. The Russians summoned their most experienced generals in order to shut off Plevna from the outside world according to all the rules of siege warfare, and to starve it into submission. How long could it continue to hold out? The whole of Europe followed on tenterhooks the desperate battle which was taking place south of the Danube. Nowhere was the tension greater than in Athens. In

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Constitution Square, in front of the royal palace, political speeches were made until far into the night. The Greeks had hitherto been the only Balkan people to play the part of neutral spectators in this Eastern war. While the other countries were all more or less affected by the fighting, Athens could calmly rejoice at the successive defeats of their old Turkish tyrant. The Government armed, and collected as many weapons and munitions as it could buy. Troops were gathered on the northern frontier in case Turkey should have a mind to make good her losses on the other side of the Balkan mountains by an advance into Greece. But it did not come to that. The Greeks had an agreeable spell of sentry duty, and the foreign war contractors did an excellent trade, and that was all.

What would happen, though, if Plevna fell? Was Greece to go away empty-handed, when the whole map of the Balkans would be rearranged? Ambitious politicians and the military, who had been waiting to intervene for nine months with guns ready for action, tried to carry the people with them, and declared that if Plevna fell the moment would have come to liberate the last Greek provinces also from the hands of the Turks.

This took place on December 10th, 1877. The last Turkish army was destroyed. Four days later, Serbia, which had made a temporary truce with Turkey, again declared war, in order to be present at the last lap on the side of the victors when the prizes were allotted. Apparently Greece could no longer be held back. The

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military party was urging action. From Crete came news of a new revolt against the Turks. On the other side of the Greek frontier, the first shots were already being fired in Epirus and Thessaly. The Government in Athens, which had hitherto preserved strict neutrality, accelerated its preparations for war without any attempt at concealment. But an unambiguous hint from England to King George of Greece sufficed to damp the war mood. The English did not want Turkey to be attacked from the south as well, and the Russian advance on Constantinople thus facilitated. So Athens got no further than equipping the army and clamouring for war.

For the newly appointed armament agent, Zaharoff, this was the crucial hour. As a representative of the firm of Nordenfelt, many houses were opened to him, on the doorsteps of which he had hitherto waited in vain. At the Greek War Ministry he was a frequent and welcome guest. And if the front steps happened to be barred, there was always some other method of approach. His demeanour was as correct as the armament industry demanded ; if one route was impassable, he always knew of another. His modest bearing was esteemed in Government offices, but when it was necessary he knew how to exact the respect due to himself and his firm. The man who had hitherto been written down in Athens as an adventurer had suddenly developed into an assiduous and cautious business man who had to be taken seriously. What most impressed his circle of acquaintances,

however, was that he received five pounds sterling a week from London. Neither Zaharoff nor any of his contemporaries from the Athenian coffee-houses had ever earned so much in a month. Zaharoff himself became accustomed to big figures more quickly. He saw that the transactions taking place before his eyes involved millions. This was different from his previous experience on the Exchange at Galata and on his European wanderings ! Here was a possibility of arriving swiftly at wealth and power. Whoever picked up but a fraction of the profits that accrued from the armament industry was bound to become a Croesus.

Zaharoff did everything to exploit the lucky chance that had brought him to this post. Conditions remained favourable to the armament industry, for, if there had hitherto been arming for war, there was now arming for peace as a support to claims at the conference table. The price of armaments was rising, especially as the war fever from the Balkans threatened to infect the Great Powers of Europe. Since the Russian generals were resolved to continue the march on Constantinople in spite of an English offer of arbitration, the British Government thought the time had come to rattle the sabre more loudly. In February 1878 it obtained a credit of £6,000,000 from Parliament "for certain precautionary measures which have been necessitated by the development of the war in the East." Vienna also was restless, and the Prime Minister, Count Andrassy, demanded a war credit of 60,000,000 gulden. The Russians were restrained by

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this threatening attitude from entering Constantinople, but at the preliminary truce which they concluded with the Turks they displayed an abundant appetite. The last word was spoken in July 1878 in the Hall of Pillars in the Imperial Chancery in Berlin under the presidency of Bismarck. Rich booty was awarded to all the Balkan nations, and, in addition, to Russia, Austria, and England. Only Greece went empty-handed, except that some future adjustments of boundary were agreed to. It really seemed as though this time Greece had missed its chance.

But Zaharoff, Nordenfelt, and the other armament contractors could be quite content with this decision. Though the other states in the east and south-east were for the time being somewhat worn out and tired of warfare, the munition manufacturers at any rate had a good market in Greece. Three years after the Berlin Peace Congress, Athens was still arming zealously and continually threatening war.

Greece, with its million and a half inhabitants, did what it could. The army, which at the time of the Berlin Congress had amounted to at most twenty thousand men, was increased by a new military law to 44,000. The equipment of this new Greek army was still in a bad way ; the majority of the soldiers were without proper uniforms, and had to maintain themselves, the state supplying only rifles and cartridges. Towards the end of the year 1880, 2,000,000 francs' worth of the most modern artillery was ordered from Krupp, and

some months later eighty-four brand new cast-steel cannon arrived from Essen. The agents of the smaller armament firms also picked up a number of orders, though they were not always executed with particular promptitude. The Greek army now numbered—at least on paper—63,000 men, and the following year was to see an increase to over 100,000. The Powers were tired of the everlasting war clamour, and insisted on Turkey ceding a large part of its Greek provinces—almost the whole of Thessaly and the south of Epirus, a region containing 300,000 inhabitants—to Greece.

Even this did not restore peace on the *Ægean Sea*. The expenditure of the poor little state of Greece on its army sounds fantastic. With a total budget of 20,000,000 francs, 16,000,000 were spent on the army. That was, so to speak, in peace-time. In 1885, when a new war threatened from Bulgaria, the army was again mobilised, and a loan of 100,000,000 gold francs was raised for the development of the army and the navy. Greece began to build her own munition factories. But Athens nevertheless remained the El Dorado of the armament manufacturers, especially of the smaller firms : for there was no such careful calculating, testing, and auditing, as was essential in the case of deliveries to the larger states. Everything was done rather more privately ; and often, when there was a quick succession of War Ministers, very privately indeed. Basil Zaharoff, who knew the ground as none of the other armament agents knew it, was the very man for these business methods.

## SELLS HIS FIRST SUBMARINE

In London his success was fittingly recognised. His contract was extended the first time he visited the firm, and he was allowed a handsome commission. The director of the firm, Torsten Vilhelm Nordenfelt, expressed his frank appreciation of his agent's activity. It was not a bad combination—Nordenfelt, the straightforward Swedish engineer, who had come to England at the age of twenty and who had, after a long apprenticeship, risen from the position of an employee in a Swedish iron business to the proprietorship of a middle-sized factory, and Zaharoff, the world-experienced southerner, the cunning dealer and agent. In alliance with this Greek it might be possible to build up a great international armament concern. Nordenfelt, who had been through the excellent Swedish engineering school in Lund, exerted all his energy to move up into the ranks of the great armament contractors by means of inventions related to the art of war. If only the models provided something new, Zaharoff would look after the marketing. The boom in armaments lent wings to Nordenfelt's inventive mind. The man who, until the age of forty, had been a merchant moving along the traditional grooves, suddenly became one of the most fertile inventors of war machines. In quick succession he patented a new series of inventions—a base fuse, an eccentric screw breech, a mechanical time-fuse, then a quick-firing gun for light artillery, which was introduced into several large states. The great sensation, however, which helped the firm of Nordenfelt to

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world fame—short-lived though it was—was the construction of a submarine. The idea of sending warships under water to attack the enemy from their place of concealment was already old, nor had there been any lack of practical attempts at construction. A submarine functioned as early as the American Civil War in the sixties, though it was destroyed on its first attack. The new type which Torsten Vilhelm Nordenfelt introduced to a group of naval experts in the Sound between Denmark and Sweden moved easily under water. For the first time the submarine problem, which had occupied so many engineers, appeared to be solved. Certainly the great naval Powers were still hesitating to employ submarines. They preferred to await the results of further experiments before deciding to put the new naval weapon into service. If the Great Powers are unwilling, argued Zaharoff, then the small ones shall have the preference. He was patriotic enough to make the first offer to his native state, Greece, which was in funds owing to the help of an armament loan. In Athens the offer was eagerly accepted, and so there arose the curious situation that little Greece was the first country in the world to receive the first practical submarine. Naturally the new marine wonder excited great interest in the *Ægean Sea*, and inspired the neighbours of Greece with mild dismay. The Turkish Government in particular was interested in this new kind of Trojan Horse, that might possibly pass through the Dardanelles one day and appear before Constantinople.

## SELLS HIS FIRST SUBMARINE

Luckily, the armament business was international, and anyone could be supplied if he had the money. Even the Greek Zaharoff could not violate this fundamental principle of the armament industry. Yesterday his compatriots on the Piræus were his customers, to-day the people on the Bosphorus, the hereditary enemies and suppressors of Greek independence. Such is life. There is no room for sentimental patriotism in this most international of all industries. Since the Turks, in spite of all their financial troubles, still had a greater purchasing power than the Greeks, they were able to treat themselves to two submarines at once. There were, however, no limits to free competition among the armament politicians. If Greece, Roumania, Russia, or any other benevolent neighbour of Turkey should express a wish to enlarge his stock of ships by a submarine, the firm of Nordenfelt, and its agent Zaharoff, were always at its service.

Strange to say, the demand in this field was quite small, even in the following years. Nordenfelt's most important invention brought him the smallest pecuniary success. On the other hand, other branches of his armament business thrived all the more. The interest of the various army headquarters was directed mainly to quick-firing guns. Since the French quick-firing *mitrailleuses* in the Franco-German War, though they had not procured a victory, had none the less performed valuable services, everyone was trying to manufacture weapons that would fire as swiftly as possible. The attempts long remained unsuccessful,

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but in the eighties the military technicians in different countries were producing serviceable weapons. Nordenfelt also took part in the race. His quick-firing gun was fairly small and mobile, though it needed four men to serve it. It had already been introduced into several armies. Then suddenly there appeared an entirely new kind of weapon in the international armament market, which knocked all others out of the field. An American engineer named Hiram Maxim had constructed a weapon which was not much larger than an ordinary rifle, though it was mounted on two wheels. With this remarkable instrument, it was said, several hundred shots could be fired in a minute. People at first believed that the Maxim gun was not much more than an ingenious toy, good enough to create a sensation for a couple of weeks. But there appeared to be more in it than that. The inventor, a smart engineer, who had already made a reputation in other fields, was himself travelling with his machine from country to country and introducing it to the military authorities. In the War Ministries the prevailing tone was at first very sceptical, but gradually the maxim gun began to be a dangerous competitor to the Nordenfelt quick-firer.

Torsten Nordenfelt was seriously perturbed, but his agent Zaharoff offered to knock the Maxim gun out of the field in one way or another as far as the foreign military authorities were concerned. If he could only once succeed in catching Maxim at one of his demonstrations he would take good care that the result

## TRIAL SHOOTING IN VIENNA

of the dress rehearsal should not be advantageous to the Maxim gun.

The long-hoped-for opportunity arrived finally in Vienna. Zaharoff had discovered that a trial shooting with a Maxim gun was to take place in the Viennese arsenal. As quickly as he could he set out to put a spoke in his competitor's wheel. It was too late to prevent the demonstration of the Maxim gun. The Austrian Ministry of War was most keenly interested in the new invention, and the whole body of generals had arranged to be present at the trials. Even the Emperor had agreed to put in an appearance. The trial went off with military punctuality. Among the motley uniforms, among princes and archdukes who had turned up to witness this sensational event, there appeared a top hat. A gentleman in the forties, with a greying beard and wearing a ceremonious frockcoat, gave a few short explanations in English. Then he knelt, all by himself, in front of the gun, and the shots rattled off more quickly than the ticking of a clock. The military experts were astounded. There had never been anything like it. Certainly there were some sceptics, and the foreign inventor was asked a number of questions. But it was not easy to understand him, for he spoke nothing but English. One of the critics thought that speed alone was not sufficient. What about accuracy of aim? Maxim immediately declared himself ready to furnish a test. A target was set up fairly near to the machine-gun. The gentleman in the top hat again knelt down, the strange tic-tac noise was

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heard once more, and, to everybody's astonishment, there appeared on the target the letters F. J.—the initials of the Emperor Franz Josef—written with fine holes.

This shrewd and harmless jest decided the success of the new weapon. The Emperor and his retinue congratulated the inventor. The pressmen, who had followed the demonstration from behind a fence, broke out into applause, and the most enthusiastic was a tall slim gentleman who had taken his place among the journalists. "A wonderful performance," he cried. "Marvellous ! Nobody can compete with this Nordenfelt gun !" "Nordenfelt ?" asked one of the pressmen. "Isn't the inventor's name Maxim ?" "No," replied the gentleman, who obviously knew all about the matter, "that is the Nordenfelt gun, the finest weapon in the world." And, in order that the foreign journalists who were present should also understand, he repeated his pæan in French and English. "The Nordenfelt model has beaten all the others."

The reporters hurried away to their editorial offices full of the great event, and of the information they had obtained from the well-informed gentleman. A few hours later it was possible to read in the Viennese newspapers, and shortly after in the foreign journals, that the Nordenfelt machine-gun had given a proof of its incomparable powers of performance in the presence of His Majesty the Emperor.

The enthusiastic gentleman who had given the information in such an amiable manner was none other

than Basil Zaharoff. While the royal suite was leaving the shooting-gallery, Zaharoff had mingled with the soldiers and respectfully greeted some of the members of the War Ministry. He begged the leading officers to listen to him for a minute. "An incomparable performance," he began again. "Nobody can compete with Mr. Maxim so far as this gun is concerned. But that is just the disadvantage of this great invention—that nobody can copy it. It is therefore nothing but a conjuring trick, a circus attraction." The soldiers, who were still engrossed in the great scene they had witnessed, opened their ears. "Do you know who Mr. Maxim is, gentlemen?" continued Zaharoff. "I shall tell you. He is a Yankee, and to-day probably the most skilful engineer in the world. By profession he is a philosophising instrument-maker, the only man on this earth who can manufacture and work these machine-guns. Everything must be made with the greatest precision. A hundredth of a millimetre difference, here or there, and the thing does not function. All the springs must have a definite amount of tension. Suppose you want a large number of these guns, where are you going to get them from, since there is only one man in the whole world who can make them? Maxim goes into his workshop and actually builds his models with his own hands. This naturally limits production considerably, and finally, even if you had a large number of them, do you think you could obtain an army of philosophising expert mechanics from Boston to work the things?"

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Zaharoff's objections did not fail to have their effect. When Hiram Maxim went to the War Ministry on the following day in the certain expectation of being overloaded with orders, he met with a surprisingly cool reception. He demanded the reason—whether the Emperor perhaps had been dissatisfied with the demonstration ? "Not at all," was the reply. "His Majesty expressed himself in a very laudatory manner, but . . ." All the answers were evasive until an elderly officer finally told Hiram Maxim the truth, and repeated the criticism of Basil Zaharoff : "A colleague of yours from London, who witnessed the whole thing, thinks that nothing can be done with your invention—that it is a device for trick shots, but not for ordinary soldiers." Maxim saw himself deprived of half his success. He had great difficulty in convincing the experts in the War Ministry that his machine-gun could be manufactured in workshops just as conveniently and accurately as any other weapon. After tedious negotiations and discussions he finally received an order for 160 machine-guns for the Austrian army. But the incident of the crafty Nordenfelt agent stuck in his mind. He himself could make use of such a cunning and eloquent linguist ; orders would certainly be obtained far more easily, and he would be free to do something more sensible than sitting about in War Offices.

His experience in Vienna made a lasting impression on Zaharoff also. He reported to his chief in London his artfully contrived scheme, but he did not omit to

## RIVALS BECOME PARTNERS

emphasise the magnificent success that Maxim had won in Austria, thanks to his wonderful invention. They must succeed in possessing the patent ; if they could construct such machine-guns, their orders would soon take on a very different aspect. A competitor like Hiram Maxim could not be beaten. There was only one way to draw his sting—by collaborating with him.

Zaharoff's train of thought was not received with any enthusiasm at first by the self-willed Nordenfelt. For an engineer who had so many successes of his own to show, and had achieved at any rate a certain amount of world fame with his inventions, it was not easy to admit that someone else had hit upon better and more profitable ideas. Nevertheless, after some resistance, Nordenfelt declared himself ready to put an end to the competitive war with Maxim, and, if there were still time, and so long as the partnership were on equal terms, to enter into an alliance with him.

The negotiations with Hiram Maxim took a surprisingly smooth course. The very first discussion between the two rivals convinced both of them that it would probably be to their advantage to join forces. Maxim was obviously concerned chiefly in obtaining a sound economic foundation for the exploitation of his patents. Nordenfelt had at his disposal a well-developed armament business, and possessed arms factories in England and Sweden, a munitions factory in Dartford, iron works in Bilbao in Spain, and all

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kinds of subsidiary concerns. In addition, his firm had Zaharoff, this resourceful, world-experienced salesman—a business asset which was surely not to be despised.

The decisive factor, however, was the bitter experience that both the negotiating parties had suffered in recent years—that the large firms always beat the small ones in the international armament market. The great old-established firms, like Krupp in Germany, Schneider-Creusot in France, and Armstrong in England, were in a position to give their customers credit. They had their best and surest propaganda in the military missions and instructors who were sent all over the world by the great military states. Even though the smaller countries tried to imitate the larger ones, inviting public tenders and organising competitive shoots with military pomp before they distributed orders for armaments—yet it was the foreign instructor of troops who decided the issue, and in nine cases out of ten, in favour, naturally, of the standard firm in his native country. Long before brands of soap and scent had become naturalised in different countries, guns and muskets had become international commodities. A nation shot with Krupp, or with Schneider-Creusot, if it wanted to have a first-class army.

The smaller and younger firms, on the other hand, had a difficult task. They might try by all the means in their power, dishonest ones not excepted, to obtain orders. Bribery and corruption, open or masked, were

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in any case the order of the day in the armament business, and extended to the highest places, to Ministries and Parliaments ; but even in chicanery the large firms could beat the small ones. The nature of the armament business compelled concentration, amalgamations, and the formation of a few, very large undertakings.

It was the knowledge of this that made Torsten Vilhelm Nordenfelt and Hiram S. Maxim come to an understanding. The Nordenfelt Guns and Ammunition Company Ltd. and the Maxim Gun Company were fused into one concern in the year 1888. In order to demonstrate to the outside world that it now had to deal with a large undertaking, the new partners dealt very generously in high figures : the value of the patents which Hiram Maxim brought into the partnership was alone estimated at close on £1,000,000. At the first test it was seen that there was confidence in the new firm. A loan, which was issued to finance the amalgamation, was over-subscribed in a few hours. The public had decided that the international armament business would continue to flourish in the future.



## CHAPTER V

THE ROMANTIC LIFE OF AN INVENTOR

THE AUTOMATIC MOUSETRAP

"THIS GUN FIRES TOO RAPIDLY FOR CHINA"

A STRICT INQUISITION AT ST. PETERSBURG

BUSINESS IN SPAIN



## CHAPTER V

On the door of the business offices through which Basil Zaharoff went in and out was inscribed from now on the name "Maxim Nordenfelt Guns and Ammunition Company." It was hardly by accident that the name Maxim took precedence. In the co-operation of the two partners, it was soon apparent that Hiram Maxim was the stronger man. They were almost of the same age—neither was yet fifty—and at the height of their powers. But, while Nordenfelt's development, in spite of his migration from Sweden to England, had, on the whole, run a calm and equable course, Maxim's career had been full of American romance.

Hiram Maxim was descended from a Huguenot family which had emigrated to America from France in the eighteenth century. He was born in the small town of Sangerville, in the extreme north-east of the United States, close to the Canadian border. His technical ability became evident at a very early age. His boyhood wish was to be a sailor, and he worked industriously with instruments for measuring longitudes and latitudes. His father, who possessed a small sawmill, wanted him to enter a more solid profession, and he apprenticed the boy to a wheelwright. Hiram Maxim did not endure this long. He preferred

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to go to another master craftsman, with whom he painted coaches and sledges, but had a few hours' leisure to continue his technical education.

As the mice disturbed him at his work he constructed an automatic mousetrap which could catch a large number of mice at once. This invention brought him his first small success. Hardly had he a few dollars in his pocket when he ran away to have a look round the country. The money that he took with him on his wanderings was soon exhausted, but when an opportunity for work offered he was not particular ; he took a job as a waiter, worked at a loom in a factory, or made his way by washing dishes. As he was a strong and dexterous lad, he tried prize-fighting, and was much inclined to make boxing his profession. An experienced manager warned him against it. "Your eyes," he explained to young Maxim, "are too large and prominent ; besides, has anyone ever seen a prize-fighter with a head as big as yours ?" These arguments made him see reason, and he decided to make use of his head in some other and better way.

While he was blundering through different professions during the day, he pursued his technical studies in the evening, seeking at the same time to employ his freshly won knowledge in the construction of apparatus which appeared to him to fulfil a practical need. His very first patents were successful ; he constructed an automatic gas meter which was quickly taken up in America, a fire-extinguishing apparatus and a steam pump to supply detached houses with



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water. Then he turned to electrical ilumination, which was just then becoming popular, and here also he succeeded in making a number of important improvements. In the year 1880, when he went to Europe, he was already celebrated as an engineer, and a year later he was able to record an international success at the World Exhibition in Paris, where he introduced a lighting system in which the electrical tension remained the same whatever the strength of the lamps. He left France as a Knight of the Legion of Honour, and came to England, where he plunged into the field of work which was just then becoming the fashion among technicians—the construction of firearms.

Here, after careful preliminary work, he perfected the great invention which made his name famous throughout the world for some decades—the machine-gun. The automatic Maxim gun fired ten shots a second out of one barrel. Six hundred shots a minute—what perspectives this opened up ! A Maxim gun would be able to mow down whole companies and regiments in a few minutes. Wars would be conducted in future at lightning speed, and, the experts did not forget to add, this wonderful invention could only help to make death on the battlefield more painless and humane. Even though all the hopes which were placed in the Maxim gun by the armament experts in their first enthusiasm have not been fulfilled, it cannot be disputed that this excellent invention has since cost several millions of people their lives.

A weapon with which such military effects could be achieved also left its trace in the balance-sheets of the armament manufacturers. The firm of Maxim Nordenfelt succeeded in maintaining, for a few years at least, an almost unlimited international monopoly in the manufacture of machine-guns. A year after the amalgamation of the two firms the Maxim gun was introduced into the British army, and a few years later into the navy. The firm was at once assured of a large market for its goods.

The new invention also roused interest outside the British Empire. When an exalted visitor from abroad came to London, the Maxim gun was always on the programme as the latest technical device of interest. It was the custom among the great armament firms to present royal visitors occasionally with a model of the latest firearm. This generosity generally paid very well. They usually got the "stake" back when the first regular orders came in. The firm of Maxim Nordenfelt was, at the time, less generous. At any rate, it inspected the exalted visitors very carefully to see whether they were likely to become good paying clients later on ! When the Shah of Persia, who was delighted by the swift shooting of the Maxim gun, hinted gently that he would like a specimen to try, Maxim explained with cool politeness that the weapon did not belong to him, but to his firm, and that he unfortunately had no power to give one away.

When Li Hung Chang, the famous Chinese prince,

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had the gun demonstrated to him, he was overjoyed. But when Maxim told him that it cost £130 a minute for ammunition, the distinguished guest from the Far East said, in a tone of resignation : "This gun fires too rapidly for China, I am afraid." The same thing happened with the King of Denmark. When he heard how much ammunition the gun consumed, he had to admit that such a weapon could bankrupt his little kingdom in a couple of hours.

Luckily, there were enough states in Europe which could spend what they liked for armament purposes. Zaharoff, who generally conducted the negotiations with foreign countries, no longer had to beg for orders. As the representative of the world-famed firm of Maxim Nordenfelt he met with no difficulties. He called on the military authorities of Germany, Russia, and Spain, and nowhere were doors closed against him. The large orders which he brought home consolidated his position in London.

The distribution of responsibility in the firm was to his advantage. Though Maxim was the undisputed intellectual head, he was not really a business man ; his interest was in the technical side, and, while his machine-gun was making his name famous in Europe, he was already occupied with other plans. Since the beginning of the eighties he had been working on the construction of a flying-machine, and he made, at great cost, a gigantic machine over thirty feet high, sixty feet long, and ninety feet wide. If he did not succeed in conquering the air with this

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uncanny-looking framework, he at least created a world sensation.

At the side of this restless genius, the less versatile and more ponderous Nordenfelt was uneasy and suppressed. Zaharoff realised that the partnership between these two unequal men could not be of long duration, and chose to stand by the stronger. He felt that his own temperament was more closely related to that of Hiram Maxim than to that of his old Swedish patron ; besides, there were undoubtedly greater opportunities for him with Maxim.

Zaharoff's presentiments were soon confirmed. Friction developed between the two partners, and Nordenfelt left the firm in 1890, to found another concern in Paris. Zaharoff remained behind with Maxim, and became his most valuable commercial adviser.

Maxim had no need to bother about the way the business was going ; he could pass his time undisturbed in his drawing-office or his laboratory, and could, if he liked, put tens of thousands of pounds into his experiments. Zaharoff was able to carry out his business projects all the more freely. The boom in armaments did not suffer any interruption during the nineties. The views of the military experts certainly changed, and methods of arming troops changed with them. The growth of the state armament firms in a number of countries deprived the private firms of many fat orders—but enough remained.

The armament industry was spared the severe slump

## A STRICT INQUISITION AT ST. PETERSBURG

in sales to which other industries were recurrently exposed. Its customers were as zealous and safe, and had as high a purchasing power, as a manufacturer could wish. In addition to the ever-increasing "peace-time" demand of the European armies and navies, a number of wars in the last decade of the nineteenth century ensured a speedier turnover. Fresh disputes between Turkey and Greece, the fighting between Japan and China, and between Spain and the United States, and the colonising campaigns of the Great Powers in Africa, provided work and profit. Zaharoff had only a share in the blessings of the international armament business, but the commissions were so ample that he gradually amassed a handsome fortune. He used his savings to buy shares in the Maxim Company, and thus assured himself of a financial influence in the concern for which he worked.

Though he was a shareholder, he continued to be a "traveller." Rushing through Europe in an express train to provide nations, which would perhaps be fighting each other on the following day, with the same weapons—that was Basil Zaharoff's business. His manner to all countries was charming and zealous, though he did not always charge the same price.

The largest market was Russia. That country had created its own armament works in St. Petersburg and Tula, but these did not by any means suffice to supply the gigantic Russian army with arms and munitions. Though in other respects Russia held aloof from

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Western innovations, it had to be modern at any price in the military sphere. After the machine-gun had been accepted in every other western European state, Maxim was invited to St. Petersburg to demonstrate his invention.

The Russian officers, who were at first very sceptical, were soon convinced of the powers of the Maxim gun, but the Russian Government had its idiosyncrasies. A few days after the first trial shoot, Maxim was summoned to the police headquarters of St. Petersburg. An English-speaking official enquired his name and origin, and then addressed the following questions to him : "Are you a Jew?"

"No," replied Maxim.

"What is your religion?"

"None; I never had one."

"That's what all the Jews say, and foreign Jews are not allowed to stay in Russia. What was your father's full name?"

"Isaac Maxim."

"Aha! Isaac is a Jewish name, like Hiram. What was the name of your grandfather?"

"Samuel Maxim."

"That is another Jewish name."

"Not at all. It would be Jewish perhaps if it were Maxim Samuel. My ancestors were Puritans, and they nearly all had Jewish names."

"What was the name of your maternal grandfather?"

"Levi Stevens."

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" There you are ! Another Jewish name."

" But my grandfather Stevens was not a Jew. He was a Puritan, and they are particularly hard-headed Christians."

" You are begging the question. If you are not a Jew, what *is* your religion ? "

" I have no use for religion, any more than Edison has."

This was a little too much for the Commissioner of Police. He declared categorically that nobody was allowed to remain in Russia who hadn't a religion.

Maxim did not lose his equanimity. He replied tranquilly : " In that case, of course, I must look for a religion." A Russian official, whom he had taken with him as interpreter in case of need, advised him to allow himself to be registered as a Protestant. This was done. In order to put an end to this disagreeable inquisition, Maxim said : " Write me down as a Protestant. I am a Protestant among Protestants. I protest against the whole thing."

Maxim did not take this police enquiry seriously, and many years later he wrote about it with a chuckle in his reminiscences. For an inventor of his rank, however, whose head was full of new plans and ideas, it was certainly unnecessary to expose himself to such molestations.

Zaharoff was a more suitable protagonist in a game of this sort. He had the religion prescribed by St. Petersburg, he knew the language, and he knew just

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the right way in which to deal with Eastern officials. In order to prepare the ground with one of the Grand Dukes who was influential in the allotment of army contracts, he was able to win the favour of a charming dancer with whom the Duke was on intimate terms. Whenever it seemed desirable, Zaharoff was still the modest, reserved agent of his firm ; but in St. Petersburg, in the bigoted society of the Czar's Court, he was the gallant cavalier.

In the night haunts of the aristocracy they told the oddest stories about the interesting foreigner with the Russian-sounding name who threw his money about so magnanimously. Most of these may have been legends. When Zaharoff was asked about them, he responded with the most matter-of-fact smile in the world. He was an adventurer ? He had certainly led an adventurous life, and if the officers of the Guards, whose goodwill he was anxious to cultivate, were intrigued, he was always willing to tell a particularly romantic story. This attitude appeared to be the correct one on the Neva, for he was a welcome guest not only in the smart night resorts, but also at the Admiralty and the War Office, and he was willingly listened to when he had an offer to make.

His favourite field of work, however, lay in another direction. No country did he visit more frequently than Spain, to which he was attracted not only by his professional obligations, but also by ties of sentiment. He quickly became the favourite armament contractor

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in Madrid. The huge Spanish orders, which in time reached the value of £5,000,000, obtained for him in the English armament industry a reputation as the shrewdest of business men, and laid the foundation stone of his fortune.



## CHAPTER VI

POM-POM

THE WAR CONTRACTOR AS PEACE AGENT

POLITICS EXIST FOR THE ARMAMENT INDUSTRY

THE RACE FOR RUSSIA

GUNS ON THE VOLGA

THE AFFAIRE PUTILOFF

ZAHAROFF'S "EXCEPTIONAL SERVICES"



## CHAPTER VI

Zaharoff had long since been something more than a mere agent, and through his holding of shares had already acquired an important voice in the conduct of the firm, when the English house of Vickers approached Maxim with an offer of amalgamation.

Maxim had been able to extend his work considerably in recent years. Besides the machine-gun he had constructed a quick-firing cannon—called by the negroes the pom-pom—which had spread death and terror especially in the colonial wars in Africa, and had brought the inventor large profits. The new kinds of explosive, which he manufactured in his laboratory, were also successful, though they brought with them a chain of tedious lawsuits in connection with the patents. Although he was getting on for sixty, his inventive powers were unimpaired, but he no longer felt much inclined to occupy himself with the administrative side of the business. The offer that Vickers made him was very tempting. In order to show the world the esteem in which he was held, the name of Maxim was to be added to the old family firm of Vickers Sons & Company. And the amount to be paid for taking over the Maxim works was more than £1,000,000.

Neither Maxim nor Zaharoff could resist this offer.

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In the year 1897 the Maxim Guns and Ammunition Company was transferred to Vickers for the sum of £1,353,334 sterling.

The London banker, Ernest Cassel, an intimate friend of the future King Edward VII, helped to finance the scheme. The whole sum was paid out promptly to the sellers, partly in cash and partly in Vickers shares.

For the third time in his industrial career Zaharoff saw himself transferred to a wider and freer sphere of activity. Though Vickers was not older than Maxim and Nordenfelt as a manufacturer of armaments, it belonged to the old aristocrats of the English iron industry, the firm having been founded in 1828 in the neighbourhood of Sheffield by George Naylor and his son-in-law, Edward Vickers. Its ascendancy did not begin till the second generation, and the impulse came from Germany. In the forties of the nineteenth century, Alfred Krupp went to England to learn the latest technical methods. Ten years later the position was reversed. The cast steel process developed by Krupp superseded wrought steel, and whoever wanted to take lessons in technical progress had to go to Essen. Edward Vickers's son, Thomas Edward Vickers, was sent to serve his apprenticeship in Germany, and the experience he brought back gave him a start over competitors at home. Like the firm of Krupp at this time, the firm of Vickers manufactured wheels for railway trains, and also cast steel blocks and cylinders.

Since the end of the sixties Vickers had supplied

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steel for guns, and had done such good business that the firm's capital was raised to half a million pounds. During the eighties the manufacture of gun barrels and armoured steel plates developed into the production of entire guns, and Vickers speedily became one of the greatest international manufacturers of cannon. The designs of a young lieutenant of artillery named Dawson brought the firm large orders for the British navy.

About the time of its purchase of Maxim's, Vickers acquired the Naval Armaments Company, together with its dockyards. It was now in a position to produce every kind of armament, from the light machine-gun to the warship, which it built with its own armoured plates and equipped with the heaviest guns of its own manufacture. The firm of Vickers, with its three and three-quarter million pounds' worth of capital, was second only to Armstrong in the British armament industry.

New perspectives were now opening out for Basil Zaharoff. For Hiram Maxim the fusion with Vickers denoted the end ; for Zaharoff it was a beginning. Maxim restricted himself more and more to the position of technical adviser—who was not always listened to—until in the year 1911 he finally retired and his name disappeared from the title of the firm of Vickers without much interest being excited. Zaharoff was quick to see the distribution of power in the business, and he acted accordingly. Just as he had gone over to Maxim when the latter amalgamated with Nordenfelt,

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so he now went over to those who pulled the strings at Vickers. As he had a great gift for adapting himself to circumstances, he found no difficulty in passing from the workshop of an inventive genius to the cooler atmosphere of a modern industrial combine. Here he at last found economic power on a scale sufficiently great to give the fullest scope to his rare talents.

Conditions were again favourable, as they had been twenty years before, when Zaharoff took his first step in the armament industry. Spain, where he found his task as agent particularly easy, was waging a desperate fight with America. Hardly was peace concluded, after Spain's devastating defeat, when the English armament industry had enough to do in its own country. The war against the Boers was the most serious and perilous colonial undertaking into which England had entered for a considerable time. The Boers were fighting mostly with English weapons, and Maxim's pom-poms were affording them particularly good service in their war of defence against England. How could the firm of Vickers Maxim demonstrate its patriotism better than by doubling the zeal with which it supplied guns to fight the Boers ?

In the armament industry there are always fresh paradoxes springing up. When, after many months of heavy fighting, the Boer War had not yet led to an English victory, the City became disturbed. A distinguished English business man turned to Maxim, of all men, and requested him to turn his former relations with the Boers to account by instituting peace negotiations

with their representative at the Hague—naturally on the basis of capitulation. This London business man authorised Maxim to offer the Boers £100,000 if they would cease hostilities immediately and resume work in the gold-mines. The latter provided the motive which rendered peace desirable. South African mining securities had suffered a catastrophic collapse on the Exchange, and holders were prepared to pay handsomely for the immediate resumption of work in the gold-mines.

The war-contractor Maxim was willing, if necessary, to become a peace-agent. He acted correctly by going first of all to the Foreign Minister, Lord Salisbury, who had no objection to the proposed action, though he did not expect it to come to much. Maxim then went to Holland and tried to arrange the matter with the Boer representatives, but it was more difficult, it appeared, to engage in disarmament negotiations than to run an armament business. The Boers declined the offer without hesitation, and the firm of Vickers was obliged to continue the supplying of guns for a few months, until the English had achieved their purpose without expending the £100,000.

The firm used its war profits to purchase two subsidiary companies, the Wolseley Tool & Motor Company, and the Electric & Ordnance Accessories Company. It was only a matter of a quarter of a million pounds, a fraction on the way to the £25,000,000 concern. The extension of armament firms was not a hazardous matter. The British Government

kept up an adequate supply of orders once the competition between England and Germany was in full force, and since, in accordance with its strict Liberal principles, it avoided the construction of State workshops, the path was clear for private armament firms. Every warship of the larger type brought in at least a quarter of a million pounds. The profits mounted up, and new money kept coming in from outside. As the large armament firms distributed very generous dividends, the peaceful citizens liked to invest their capital in armament shares. Every few years the firm of Vickers was able to increase its capital without difficulty, and with the new money to buy up smaller armament firms in England and abroad.

The greatest catch was the naval dockyard of Beardmore & Company near Glasgow, which remained an independent firm with a capital of three and three-quarter million pounds, but came predominantly under the control of Vickers. Though the large armament concerns, especially Armstrong and Vickers, maintained a keen competition against each other, this did not prevent them from occasionally combining to acquire a third concern, as, for example, the Whitehead Torpedo Works.

Zaharoff did not need to bother about the course of business in England. It was in good hands. As was usual in all countries, the English armament industry had fortified itself with influential politicians and people of rank. Among the more prominent

## POLITICS EXIST FOR THE ARMAMENT INDUSTRY

shareholders of Armstrong were sixty members of the aristocracy, eight Members of Parliament, and five bishops, while the Board of Directors could show the most distinguished names in the United Kingdom. The Vickers group was likewise adorned with celebrated names. The trustee for the bonds was Lord Sandhurst, formerly Under-Secretary of State for War, and at that time Lord Chamberlain. The Secretary of State for the Colonies, Lewis Harcourt, was a particularly important and welcome shareholder. A. J. Balfour was trustee for Beardmore. The Marquess of Graham and Colonel Parks, an enthusiastic supporter of conscription, adorned the Board of Directors. In this environment Zaharoff saw that the armament industry comprised something more than the manufacture and supply of arms. The great armament magnates were not only trusty supporters of the politicians, but were themselves powerful factors in the political game. Of course, even at Vickers high politics were not engaged in all day long. The firm exerted itself to obtain the smallest order, and by no means scorned the methods by which the more modest firms tried to win contracts. But the ultimate goal was rather more distant. When a Government policy did not result in sufficient orders, that policy had to be changed. For the armament industry, after all, was not run for the sake of politics, but politics were there for the sake of the armament industry. This was the axiom on which the political part played by the great armament firms was based.

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The more quietly and covertly the wire-pullers went to work the better. However blatant the methods used by agents, the principals behind the scenes must wear kid gloves, so that their hands should always be clean. The game was not lacking in danger, for a scandal could checkmate even a popular concern for years.

Luckily the competitors facilitated each other's work. This hand threw the ball to that ; one profited from the other's propaganda. The magnates of the heavy industries in all countries maintained newspapers, in which pacifism was systematically opposed and war fever stirred up. It was not necessary to fan the flames of war directly, as clumsy hands sometimes did ; it was sufficient to arouse in the population an atmosphere of fear and of the need for defence. It was always their own country which was threatened by attack from others, always their neighbours whose military preparations were superior. It was always necessary to be on guard against hostile invasion. The sword must always be kept bright and the shield strong. Occasionally the propaganda of the armament firms made a particularly bold move, and launched a direct alarm in the form of news in the foreign Press. As a rule, however, it limited itself to sounding the alarm in its own country and giving concrete shape to the haunting fear of imminent war.

In England, a certain director of one of the armament firms was especially successful in this line. According to his description, the German naval

## THE RACE FOR RUSSIA

programme was at least twice as large as Admiral von Tirpitz publicly admitted. His secret reports were taken very seriously by the British Government. Why not? The armament industry and espionage were everywhere closely connected. Balfour, on the basis of such information, prophesied that Germany would have from twenty-one to twenty-five first-class battleships in 1912. Actually it proved that there were only nine, but meanwhile the English Government had itself ordered four new Dreadnoughts as a defence against the German danger. England's preparations found their echo in the propaganda of the German armament industry and in the extended naval programme of Admiral von Tirpitz.

Such was the method employed in the large countries to increase the armament business. In the small states methods could be somewhat more crude. With the money provided by the armament industry revolts could be staged, border incidents and diplomatic entanglements brought about, and weapons supplied on credit as an encouragement. The development of the international armament industry on a large scale involved keeping in close touch with high finance. For, although the stage of financial difficulties had long since been passed, it was none the less necessary to make sure that the consumers were solvent. In order to facilitate the task of the purchasers and the various War Offices, and to make Parliaments more pliable, the firms themselves frequently arranged for the requisite loans ; and thus a special class of

financial experts arose in the armament industry, whose activities were just as important as the directing of propaganda and the securing of orders.

In the firm of Vickers matters of high finance were arranged by Sir Vincent Caillard, a close political friend and supporter of Joseph Chamberlain, and a financier of international standing who had proved as successful in his capacity as Chairman of the Turkish Debt Congress as in negotiating loans in Holland and Belgium. He was nevertheless a lover of poetry who in his hours of leisure set to music Blake's *Songs of Innocence*.

From this financier Zaharoff learnt how to conduct transactions on a large scale. For the time being his sphere of activity with Vickers was still somewhat circumscribed. The tension between Russia and Japan again took him to one of his most successful fields of work—St. Petersburg. Though England was regarded as a secret ally of Japan, this did not hinder English firms from helping the Russians also. The Russian need of war material was very considerable, but there was no lack of offers from all the countries of Europe. Zaharoff had the start because he knew how business was done in Russia. The largest orders were for the Maxim machine-guns. But the other departments of Vickers also found Russia a good customer. The commissions which Zaharoff harvested during the Russo-Japanese War amounted to hundreds of thousands of pounds, and in addition he profited from the war boom as a large holder of shares in the firm.

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The really big boom, however, did not start for him until the war was over. After the Russian Government had to some extent recovered from its military defeat and the revolution, it set to work to rebuild the army and navy. The generals and the admirals did not have quite such an easy time as before. Even Czarist Russia now had a Parliament, and the Duma had a voice, however modest, in affairs. It demanded that orders for armaments should aid Russian industry, and should therefore be given, as far as possible, to Russian firms.

It was easier to make the demand than to fulfil it. For the national workshops were in no way adequate for the carrying out of the armament programme. The largest private concern, the Putiloff Works, was in disfavour at Court as the centre of the revolution. New industrial plants had therefore to be created. The Russians possessed neither sufficient capital nor technical knowledge to enable them to build up their own armament industry, so that in the end the great foreign firm obtained orders for the Russian army and navy, though it had to manufacture in Russia itself.

None of the first-class concerns was willing to lose its share in this business, which ran into millions. A race began on the part of the international armament firms and dockyards. The first on the scene was Schneider-Creusot. The great French firm was able to plead that the money for all the armaments about to be constructed came from the loans which had been raised in France. It turned its attention first of

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all to the Putiloff Works, helped them over the bad years, after the Russo-Japanese War, with credits, and took over £1,000,000 of shares when the Putiloff Works were reorganised in 1910.

Neither were the great English firms inactive. Armstrong and John Brown were building four Dreadnoughts in St. Petersburg. The latter, together with the Paris bank, the Société Générale, was interested in the Franco-Belgian Company, which maintained naval dockyards and steelworks.

The lion's share, however, was secured by Zaharoff for Vickers. He brought about a close business connection with the St. Petersburg Ironworks and the Franco-Russian Company, a turbine factory, and obtained through these firms orders for guns and other heavy material for the armoured cruisers which were being built in the St. Petersburg docks. He secured through the Russian Shipbuilding Company an order for the construction of two first-class battleships in the harbour of Nikolaiev, on the Black Sea. The firm of Beardmore, in Glasgow, which belonged to the Vickers concern, established, with Schneider-Creusot and the French firm of Augustin Normand, a dockyard and cannon-factories in Reval, and received in addition orders for two small cruisers.

The largest plum which Zaharoff managed to secure was the construction of an enormous arsenal for arms and munitions in Zarizyn, on the Volga. The undertaking, which was supplied from the beginning with a capital of £2,500,000, bore the

## GUNS ON THE VOLGA

name Russian Artillery Works Company, but Vickers took over a large part of the founders' shares and arranged for its further financing. In the agreement, which was completed in the autumn of 1913, Vickers undertook the obligation of constructing and equipping the works, and co-operating for a period of fifteen years in the production of artillery material. The English had to put their technical knowledge, and all patents and innovations, at the disposal of the Russians, and had to be responsible for their efficiency. The works at Zarizyn were to be on a mighty scale such as Russia had not yet seen. They stretched along the bank of the Volga for over three kilometres, and the heaviest guns, armoured plates, gun turrets, and artillery and munitions of every kind were to be manufactured there. Zaharoff was able to place a new feather in his cap.

While a triple *entente* of the armament industry was thus being concluded under Zaharoff's leadership, the central European armament firms were also trying to obtain a foothold in Russia. The Austrian Skoda Works took over a parcel of Putiloff shares, as Schneider-Creusot had done. Austrian banks supplied money to the St. Petersburg munitions industry. The Hamburg shipbuilding firm of Blohm & Voss helped to equip the Neva dockyard, which Putiloff had bought with the help of Schneider-Creusot.

In January 1914 the St. Petersburg correspondent of the *Echo de Paris* published the alarming announcement that Krupp, together with the Deutsche Bank,

was planning to acquire the Putiloff Works, the pledge of Franco-Russian companionship in arms, on the occasion of the issue of new shares. The augurs, who were aware of the interlacing of the international armament industry, did not take the matter tragically, even though it might be true. The French citizens, however, who had put their savings into Russian armament loans, were righteously indignant, and statistics were soon available to show that in recent months Russian naval orders to the amount of 69,000,000 roubles had been given to Germany, 67,000,000 roubles to England, and only 57,000,000 roubles to France. When one newspaper publicly expressed the opinion that England might have a finger in the new transaction, the firm of Vickers published a statement that it had nothing whatever to do with the *affaire Putiloff*. Krupp also published a decided *démenti*, but excitement in Paris was allayed only when the reassuring news came from St. Petersburg that the Putiloff Works certainly needed another £2,000,000, and would be particularly happy if they could obtain the money from Schneider-Creusot. The wish was willingly acceded to in order that peace might be assured. Schneider-Creusot put the required capital at the disposal of Putiloff, and the Russians were at the same time able to raise a loan of £25,000,000 in France.

The English, who had been so seriously and unjustly suspected, also found solace in the favourable settlements of their Russian transactions. Their assets

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had increased in one year by over £1,500,000 ; the dividends were raised from 10 to 12½ per cent. ; the capital, which only the year before had grown by £750,000, was again increased by £1,100,000. Albert Vickers, the representative of the family, could promise his shareholders an equally favourable future, thanks to the continued, speedy, and profitable extension of the business.

This was the situation when the World War broke out. The firm of Vickers, which in considerable part was also financially the firm of Basil Zaharoff, was, with its £10,000,000 capital, not far behind Armstrong at the head of the English armament industry. Of the war material exported by England—more than £7,500,000 of arms and munitions in the year 1913—more than one-fifth fell to the share of Vickers. Judged by the size of the share capital, Vickers was even larger than Krupps, which it certainly surpassed in the vastness of its connections and possessions. It stood in friendly relations with the German arms factory of Loewe & Company, a member of the Loewe family being on the Vickers Board of Directors. It maintained factories in Spain, Italy, Russia, Japan, and Canada, and could boast that it was the most international armament concern in the world.

The chief share in this achievement belonged to Zaharoff. His name was still hardly known to the public, but in the offices where war policies were formulated his qualities were esteemed, and in the

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financial and industrial concerns which were in touch with the armament business, he was no longer a stranger. In Paris, where he had taken up his permanent residence, though without making much use of it, he appeared officially as "Administrateur-délégué de la Société Vickers et Maxim." In the Société Française des Torpilles Whitehead, the torpedo factory which was conducted by Vickers and Armstrong together, he represented the Vickers group on the Board. He appeared also as the representative of Vickers in more important undertakings. When Albert Vickers retired from the Board of the French company "Le Nickel" in the spring of 1913, he was succeeded by Zaharoff, who was introduced at the General Meeting in flattering terms : "Our choice has fallen on Monsieur Basil Zaharoff, whose great expert knowledge and powerful industrial connections will, we are convinced, be of very valuable help to our company." On the Board of the Nickel Company Zaharoff sat next to the representatives of the House of Rothschild.

Zaharoff knew also how to consolidate the esteem in which he was held. Four years before the War he had attempted to acquire a direct influence on public opinion. He took shares to the value of 250,000 francs in the *Quotidiens Illustrés*, a publishing firm in Paris which issues the newspaper *Excelsior*. Although he did not hold a majority of the shares, he obtained a decisive influence on the paper, which had a large circulation ; and when the agent of the Czar's

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Government, Raffalovitch, was conducting his great campaign in the Paris Press in favour of the Russian loans, he naturally did not forget Basil Zaharoff, who controlled the *Excelsior*.

For other matters less open to comment Zaharoff also had an open heart and hand. As an expression of the lively interest, due to Hiram Maxim, which the firm of Vickers took in the construction of aeroplanes, Zaharoff provided the money to found a Chair of Aviation at the Sorbonne. He financed homes for soldiers and sailors in France, and wherever there was a conspicuous public subscription list, his name was not missing.

He did not fail to receive reward for his many-sided activities. On the occasion of a technical exhibition in Bordeaux in 1908, he was made a Knight of the Legion of Honour at the proposal of the Minister for Naval Affairs. Certainly the red ribbon did not make a man conspicuous in Parisian society, and for a man of Zaharoff's position, who was nearly sixty, it seemed almost too modest. From now on, however, he ascended by leaps and bounds to high honours. In 1913, on the proposal of the Minister of Public Instruction, he received the rosette of an Officer of the Honour as the founder of the Chair of Aviation.

It did little harm to the esteem in which he was held in high Government circles that his name was mentioned in connection with the *affaire Putiloff*, and that the deputy Albert Thomas, who became later Minister of Munitions and Director of the

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International Labour Office, stated from the tribune in the Chamber : "The Russian newspapers have described Zaharoff as the most active and enterprising agent of the house of Vickers and the most important rival of Creusot."

A few months later, when crowds were moving through the streets of St. Petersburg, Vienna, and Berlin, and demonstrating in favour of war—on July 31st, 1914, the very day on which Jean Jaurès fell as the first victim of the war frenzy in Paris—it was announced in the *Journal Officiel* that Zacharias Basil Zaharoff had been appointed Commander of the Legion of Honour by decree of the President of the Republic. The reason given was simple and pregnant—"Services exceptionnels"; and the proposal had come from the Minister for Foreign Affairs.

## CHAPTER VII

THE "GREAT TIME" BEGINS

CONTRACTS FOR MILLIONS

THE WOOING OF GREECE

THE SPIES' INFORMATION EXCHANGE

ZAHAROFF FINANCES PROPAGANDA

MURDERERS, THIEVES, AND SMUGGLERS

FIFTY MILLION FRANCS FOR THE WAR



## CHAPTER VII

The War, the “great time” for war contractors and profiteers, had arrived. The propaganda of the international armament industry had achieved its purpose. It was certainly not the only cause of the World War, but it had helped to make the peoples and their statesmen believe eventually that there was no other way except recourse to arms. The expenditure of the armament industry had been worth while, for the harvest was rich.

On the day of mobilisation the international armament business became, in every country, a national matter. Only grumblers and malcontents were able to remember that the great armament workshops had yesterday been selling to foreign countries the guns and cannon with which their own countrymen were to-day being killed. Whoever remarked upon this too loudly was soon silenced by the Censor. The great armament firms had suddenly become tokens of the national power of defence, and their names were held sacrosanct. Whoever insulted them was insulting his native country.

Although, as a matter of course, they had to submit to the orders of the Government and the demands of the military administrators, at the beginning their character as private concerns was not interfered

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with, and even less in England than in the other belligerent countries. England had particular difficulties to overcome, for the English armament industry was predominantly organised for the equipping of the fleet. England now had to wage a war on land, and the army required weapons and munitions to an extent unforeseen even by the most experienced members of the general staff. The artillery was adapted to a war of movement of a type familiar to it in the colonial campaigns. The stock of munitions consisted preponderantly of shrapnel, such as was needed by the Expeditionary Force. When the movement of the armies came to a stop and trench warfare began, the insufficiency of high explosive shells was immediately felt.

The army authorities attempted to fill up the gap by orders *en masse*. For a few months everything was in confusion, until England pulled itself together and threw its Liberal principles overboard. A strict Munitions Act, which was passed in the spring of 1915, subordinated all the armament factories to Government control. A special Ministry of Munitions was set up under the administration of Lloyd George, and things began to move swiftly. Strikes and lock-outs were punished with severe penalties, and employers had to put up with the regulation of wages and all other payments by the Ministry of Munitions.

Among the munition factories, Armstrong achieved a certain ascendancy, and a member of the firm, Colonel Glynn West, was one of the most important

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men in the Ministry. Seventy to eighty thousand employees, men and women, were engaged by Armstrong alone, but the other armament firms had no reason to complain of lack of work. As early as 1915 large extensions of buildings were undertaken everywhere with State support, costing, in the case of Armstrong, £500,000 ; of Vickers, £800,000 ; and of the firm of Beardmore, which was connected with Vickers, a further £700,000. The figures for the total production of the English armament industry during the War are fantastic : 25,000 guns, 240,000 machine-guns, 4,000,000 rifles, 258,000,000 high explosive shells and shrapnel, 10,000,000,000 cartridges. Sufficient to make one wonder how so many men managed to escape with their lives !

Vickers took a very prominent part in this production. Its speciality was still the Maxim machine-gun, of which the Vickers works turned out over 100,000 during the War, but the other branches of its business also flourished exceedingly. According to the figures issued by the firm itself, it constructed during the War four battleships, three armoured cruisers, fifty-three submarines, three subsidiary vessels, and sixty-two boats of smaller tonnage, with the grand total of 201,000 tons. The Vickers workshops in Sheffield delivered 2,328 naval and field guns and howitzers up to a calibre of eighteen inches, and many thousand tons of armoured plates. The smaller guns and machine-guns were manufactured in Erith. The workshops at Weybridge and Crayford produced no

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less than 5,500 aeroplanes during the four war years.

Even on the basis of pre-war prices these contracts of the firm of Vickers—without taking into account its allied firms—represented some hundreds of millions of pounds. The profits of the English armament industry during the War were, it is true, limited by law. They were not allowed to exceed by more than 20 per cent. the average net profit of the last two business years before the War, or of a proportional part of that period ; any excess had to be handed over to the Treasury. But, even though the control and collection of war profits tax was much stricter in England than on the Continent, it can be calculated how much remained over for the firms when orders were so vast. The firm of Vickers increased its capital during the War from £10,000,000 to £13,500,000—and this increase was but a pale reflection of its profits.

Zaharoff had a very large share in the war profits of Vickers, and his political influence increased with his wealth. Officially the control of the armament organisation was entrusted, as far as possible, to labour leaders and popular politicians, whose names were a guarantee that the manufacture of guns, shells, and armoured plates was the concern of the nation and the State, and was not bound up with the making of profit. This, however, by no means prevented the great armament magnates from holding the strings behind the scenes. As the representative of Vickers, Zaharoff was the confidant of Lloyd George, the

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Minister of Munitions, and these personal relations continued when the latter became Prime Minister. In Paris also Zaharoff obtained access to Government circles. He came in contact with the Prime Minister, Viviani, with Briand, and with Painlevé.

Men like Zaharoff, whose international relations were widely ramified, were in particular demand, for they could move more easily than official representatives, could act as agents, make proposals, establish friendships, and weave new threads between the allied states and those which were still neutral. There was also no scarcity of political transactions of a type which the Government could not acknowledge officially, but which had to be conducted secretly and to remain secret. Zaharoff was able to bring to this work the routine of the international armament agent. He was an adept at operating behind the scenes, and knew both the technique and the geography of that underground activity which was everywhere becoming an important adjunct to high politics. He possessed a further advantage in having a light hand in political transactions. To do statesmen a favour, he provided vast sums of money to finance matters for which the requisite means were not immediately available in their State budgets.

Since he was a Greek, and had a unique knowledge of the Balkans, the south-east of Europe was his obvious field of operations. During the Balkan Wars of 1911 to 1913 he had been in Athens every year. He had supported the Government of Venizelos in its

struggles against Turkey and Bulgaria by credits and the delivery of weapons. He knew that Venizelos was an enthusiastic adherent of France, and would not hesitate to come in on the side of the Entente. But he also knew the counter-currents in Athens. King Constantine, the victorious commander in the Balkan Wars, and especially popular with the army, was regarded as a Germanophile, if only because of his family connection with the Hohenzollerns. As for the Greek people, after three years of war they were in need of peace, and had little desire to rush into a new military adventure so soon. Their sympathies, it is true, were from the beginning on the side of the Entente, in whose ultimate victory they believed, and to whom they felt themselves both economically and geographically more closely tied than to the Central Powers. They were still in a state of extreme tension with Turkey, and feared that Bulgaria might take revenge for its defeat in the last Balkan War by recapturing the regions which had fallen to Greece. Yet it was in accordance with the wish of the great majority when King Constantine proclaimed a strict neutrality and declined to join Serbia, just as he refused to comply with the request contained in the telegram from his brother-in-law, the Kaiser, that Greece should attach herself to the Triple Alliance as soon as possible.

The great Entente Powers did not for the time being think that the armed support of Greece would be of any value, and they even declined with thanks the open offer of Venizelos to put the Greek army at their

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disposal, with the explanation that they did not at the moment consider it desirable to extend the war to the Balkans.

The situation was changed when Austria advanced against the Serbs in the autumn of 1914 and the Balkans became a theatre of war. Greece would then have been a valuable ally for the Entente, but Venizelos, from fear of Bulgaria, thought it too dangerous to intervene with the army from the south. He confined himself to lending the Serbs the Greek stocks of munitions, and Greece remained neutral.

An intensified propaganda was now commenced by both sides in Athens. Each party covered Greece with a network of spies, agitators, and intelligence agents. Most of the people who engaged in this unsavoury work had very little interest in the cause which they were paid to promote. They did not take their parts too seriously, and one or the other would occasionally go over to the opposite side, for espionage is an international and artistic profession, in which opinions matter less than the art of perfidy.

In Athens, where the secret services of the Central Powers and of the Entente had their headquarters, the same grotesque episodes occurred as in Switzerland and other neutral countries, except that at the foot of the Acropolis things happened more openly, more tumultuously, more in the spirit of the Balkans. In this town, with its two hundred thousand inhabitants, it was not difficult to obtain "secret" information. Each agent knew all the others, and they met in the

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same places and the same resorts. Mutual spying led to the creation of a kind of Information Exchange. It was to the interest of each to report something about the other side, but where was information to come from if the other side did not help a little? "Live and let live" was the business axiom of this strange profession. "Hostile" espionage thus developed into comradely co-operation. The agents of the German and the French secret services exchanged information like good friends, and they finally got so far as to draw up common peace plans.

This pleasant game did not, however, make the secret service departments any less harmful. The information supplied went into the official reports of the diplomats, and resulted in important decisions, movements of troops, naval demonstrations, a hunger blockade, and revolts, until finally their purpose was achieved and the Greeks were also drawn into the War.

At first Germany had the start in the sphere of propaganda. A German agent, named Baron von Schenck, established a comprehensive service for the working up of public opinion in Greece. His method of agitation was by no means unskilful, and he was able to record some initial successes, since his work accorded with the desire of the Greeks for neutrality. The "service" could hardly be called "secret," for every stage of German propaganda found a reverberating echo in the Entente countries. Von Schenck's name soon became well known in the French and English

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Press. In many reports there was a reference to a great and mysterious power for evil, who was leading the Greek nation astray and seducing it from the right path—from Venizelos and from the Entente.

His policy, as has been said, did not lack success. In political circles in Paris the desire was therefore expressed that an equally effective counter-propaganda should be launched. It was obviously not sufficient to change the French Minister in Athens. Zaharoff, the most trusted and experienced expert of the Entente in all matters appertaining to Greece, was consulted, and he also informed the French Government that it was high time to institute some counter-action in Athens. Captain de Roquemont, an officer in the confidence of Lacaze, the Minister for Naval Affairs, was ordered out as naval attaché, to act as director of the intelligence department of the French Legation, and at the same time to organise propaganda which would counterbalance the manœuvres of Baron von Schenck. His means, however, were limited, and in addition he tackled the task in too brusque and military a fashion. He openly urged the Greeks to declare war against Germany, which the people were by no means inclined to do.

The internal political situation in Athens had meanwhile become very ticklish. The tension between Venizelos, who wanted to enter the war on the side of the Entente, and the King, who wished to maintain neutrality, had reached breaking-point. The former, compelled to resign from the Premiership, and with

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a majority against him in Parliament, now wished to get Constantine out of the country. The Greek Minister in Paris, Romanos, communicated the plan to Briand, who was then Foreign Minister, and enquired how far the French Government would be prepared to support Venizelos financially in such a move.

Briand was delighted, but declared that the French Government, for loyal reasons, could not grant Venizelos a regular loan for his purposes, so long as King Constantine was still at the head of the Greek State as its acknowledged ruler. But, in order to show his sympathy, he immediately informed the French Minister in Athens that he would send him 350,000 francs for the support of Venizelos. He then summoned Zaharoff—this was during the Christmas of 1915—and discussed with him in detail the political plan of campaign which Venizelos and the French Minister in Athens were about to carry out.

Zaharoff was inflamed with enthusiasm. He understood better than anyone else that in order to achieve anything in Greece it was necessary to have money, plenty of money, and that a few hundred thousand francs were of no use. With his usual generosity, he offered to finance the campaign against King Constantine himself. On December 28th, Briand was able to inform Guillemin, the French Minister in Athens, that Zaharoff had provided several million francs for the Allied propaganda in Greece. Zaharoff was not altogether sure how the policy would work, and

behaved correctly by enquiring in Athens through Briand whether Venizelos, with whose character Zaharoff was not acquainted, would be prepared to accept the money. Two days later the reply came from Athens that Venizelos accepted the offer with joy and gratitude.

Zaharoff did not by any means confine himself to financing the Venizelist movement for "national defence," but helped actively to organise it. At the request of Briand and through the mediation of Painlevé, the French publicist Henri Turot, a former municipal counsellor, put himself into touch with Zaharoff and submitted to him his plan for the strengthening of propaganda in the Near East by setting up a news agency for the countries of the eastern Mediterranean. Zaharoff listened attentively, but thought the project not sufficiently comprehensive. If German propaganda was to be countered effectively, the Entente would also have to work on the grand scale.

"I do not want," he explained to Turot, "a small limited agency confined to a small locality; I will extend your idea further, and give you the means to create a world agency."

In February 1916 the Agence Radio was set up. Turot was the director, and Zaharoff provided a million and a half francs to run it. With these resources something could be done. The Agence Radio became one of the most effective media for French propaganda. Headquarters in Paris took care that the interests

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of French foreign policy were preserved, in accordance with the ideas of Briand, and the branch office in Athens, which Turot himself established, distributed every day long reports about the favourable military situation of the Allies. Now and then Turot piled it on a little too thickly, and made the Allies win at too rapid a rate. Even one of the Allies, the Russian Minister in Athens, Demiloff, informed his Government in St. Petersburg that the Agence Radio was "trying to influence opinion in favour of the Entente by means of wild reports."

In order to ensure a market for its announcements, the French propagandists set to work, at Zaharoff's expense, to acquire whole newspapers. The founding of the new paper *Eleftheros Typos*, which was friendly to the Entente, was willingly supported. But when the newspaper *Embos* was about to be bought up, the *Patris*, the official organ of Venizelos, felt itself threatened by such competition. The directors went hotfoot to the French Legation, and threatened to go over to the Central Powers if they were not also allotted their share of the propaganda moneys. Since the *Patris* was a paper that was frequently quoted in Paris and London, there was nothing for the French Minister to do but wire to Paris that the old Venizelist Press would have to be soothed with two or three hundred thousand francs. The purchase of the *Embos* came to nothing, and the storm abated. After a time a new paper, called *Kirix*, started intensive Entente propaganda, and a vigorous campaign against the

## MURDERERS, THIEVES, AND SMUGGLERS

Greek Government's policy of neutrality was launched. Step by step the Venizelists, with the help of Zaharoff, were gaining ground.

The more difficult it became for Baron von Schenck to forward the interests of Germany in the Greek Press, all the more loudly did he announce his own successes in the German newspapers. According to his description, the tendency of public opinion in Greece was decidedly against the Entente. Germany thus continued to believe that Greece would remain neutral, while in reality the Allies were exerting more and more pressure to compel Greece to come in on their side. In vain did Germany for a second time place a credit of £2,000,000 at the disposal of the Greek Government, while Briand refused to grant a French loan ; in vain did the Greek Prime Minister, Skuludis, Zaharoff's former patron, do his utmost to maintain neutrality. The stronger battalions were marching with Venizelos and Zaharoff. A note from the Allies forced the Skuludis Cabinet to resign, and some weeks later, on August 31st, 1916, a French squadron appeared before Athens and demanded the surrender of the enemy ships interned in the Piræus, the control of the postal and telegraph service, and the expulsion of Baron von Schenck and his staff.

After some hesitation the Greek Government yielded to this demand, and the Venizelist agitation, no longer hampered by counter-propaganda, had unchecked sway. The commandant of the French squadron before Athens, Dartige du Fournet, describes

without reserve, in his *Souvenirs de Guerre d'un Amiral*, the methods of war propaganda indulged in at that time, and tells how false reports were continually circulated about German submarine bases and petrol depots. A hundred and sixty-two people were engaged in the service of this propaganda, and they were not exactly the most respectable of individuals. According to an official list, bearing the signature of the Prefect of Police of Athens, there were among them eight persons who were suspected of murder, twenty-seven who were known to the police as thieves and brigands, ten as smugglers, twenty-one as professional gamblers, and twenty as white slave traffickers. This agreeable company hesitated at nothing. It instigated quarrels which gave the French landing troops an opportunity to intervene, it took part in street fights, and it even made its way into the garden of the French Legation for the purpose of provoking there a demonstration against the Entente.

Side by side with such methods of agitation, pressure was exerted through diplomatic channels. Ultimata from the Allied Powers to Greece came one after the other, Athens was threatened with bombardment, and provisions were cut off. It was nevertheless nearly a year before the pressure of the hunger blockade forced Greece to give up its neutrality and King Constantine to leave the country, upon which Venizelos came into power.

The entry of Greece into the War was extremely valuable to the Entente. The ten divisions mobilised

by Venizelos were of less importance than the strategic advantage, for the Allies obtained a secure basis for operations against the Central Powers in the south-east of Europe. It was from this basis that the decisive attack against the Bulgarian front, which accelerated the military collapse of the Central Powers, was launched in September 1918.

Zaharoff could claim for himself the glory of having promoted to a very considerable extent the participation of Greece in the War. His other endeavours to advance the Allied cause appear to have been insignificant, although his operations extended in many directions. As a good business man he did not neglect, even during the War, to keep his memory green in the most varied places. Just as he had endowed the Sorbonne with a Chair of Aviation before the War, during hostilities he founded a Chair of Aviation at the University of St. Petersburg, and put the sum of £25,000 at the disposal of the English Government for the same purpose. He delivered gold plate from his Parisian villa to the Bank of France to be melted down, and subscribed 200,000 francs for a war hospital in Biarritz. Altogether, as the *Temps* announced in the summer of 1918, Zaharoff distributed at least 50,000,000 francs towards the Allied cause during the War.

The amount of his profits from the Allies during the same period has not been so accurately communicated to the public.



## CHAPTER VIII

THE GRAND CROSS OF THE LEGION OF HONOUR  
SIR BASIL ENTERS ON A NEW WAR  
THE STATESMAN AND THE FINANCIER  
THE MONKEY-BITE IN THE PARK AT TATOI  
WARNING VOICES IN THE HOUSE OF COMMONS  
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## CHAPTER VIII

The end of the War brought Zaharoff to the zenith of his power and wealth. In the countries which suffered defeat the war-time leaders were in disgrace, even if only for a short time. In the victorious countries they were celebrated as heroes, and their glory was reflected on those in their proximity. Whoever had helped towards victory—for instance the great war contractors—deserved the thanks of the nation. When political and diplomatic services were added to those in connection with armaments, as in the case of Zaharoff, the State had to show its gratitude in double and treble measure.

The Governments which Zaharoff had served did not stint their favour. The heads of State are only human, and not every good deed finds its immediate reward, but Zaharoff had no ground for complaint. Though his achievements were for the most part deprived of the light of publicity, in the proper quarters they knew what was due to him. In the last year of the War he was awarded the Grand Cross of the Order of the British Empire (receiving the G.C.B. in 1921), and no less brilliant was the distinction conferred upon him by the President of the French Republic. On June 30th, 1918, he was promoted to Grand Officer of the Legion of Honour on the proposal of the

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Minister for Foreign Affairs. The name of Zaharoff was unadorned by ostentatious titles ; in the official decree he figured simply and not very informatively as “*Administrateur de la Société Vickers-Maxim.*” All the more honourable was the reason given for his new distinction—“Special services in the cause of the Allies.”

A year later he was accorded an even greater distinction, receiving, again on the proposal of the Minister for Foreign Affairs, the Grand Cross of the Legion of Honour. Although the War brought with it a terrific increase in the number of those who obtained this distinction in its various grades, it was awarded to very few industrialists, and probably to no other head of a foreign company who was born abroad.

The Grand Cross of the Order of the British Empire provided him with an outward and visible sign of distinction, and he became Sir Basil Zaharoff. The semi-official newspaper commentaries diffidently referred to his numerous donations as a reason for the award of the title. Zaharoff did not overdo things, and knew what was fitting. It was not his way to act the Mæcenas, to give for the sake of giving. He distributed considerable sums with a magnanimous gesture, but almost always some political or economic factor was present.

Nor did he accept favours from the State. In order to demonstrate his gratitude in a fitting manner both to England and to France, he endowed a Chair of French



SIR BASIL ZAHAROFF AT THE INSTALLATION OF NEW KNIGHTS OF  
THE BATH AT WESTMINSTER ABBEY, 21ST MAY, 1924



## GRAND CROSS OF THE LEGION OF HONOUR

Literature in the University of Oxford, and a Chair of English Literature at the Sorbonne. The Oxford Chair received the name of Marshal Foch, the Chair at the Sorbonne the name of Field-Marshal Haig. At this time generals were everywhere being made doctors *honoris causa*. It was regarded as a matter of course that literature and the art of war should be connected, and that the name of a field-marshal should enter the Universities of Paris and Oxford at the expense of a war contractor. Oxford showed its recognition of Sir Basil Zaharoff's gift by giving him the honorary degree of Doctor of Civil Law.

Zaharoff was too clever to manifest the childish joy of a social climber. He allowed himself to be photographed in the historic robes of a Knight of the Bath, but at heart he had as little use for the traditional insignia of the Court of St. James's as for the doctoral hat of Oxford, and even the highest grade of the Legion of Honour did not disturb his equanimity. He knew better than anyone else how such honours were obtained, but he also knew that orders and titles have a concrete value so long as there are enough people to believe in them. For Zaharoff, as a Greek who was at home anywhere in Europe but whose nationality was obscure, it was doubly important to be counted with the elect of a nation. An English knight and a holder of the Grand Cross of the Legion of Honour could call upon the Governments of England and France as his natural allies if anyone should dare to call his motives into question.

With this protection Sir Basil started on a new campaign, for, though he was now a septuagenarian, he had no intention of laying down his arms. "The war is over, long live war," is the natural watchword for a manufacturer of armaments.

Luckily for the armament industry, high diplomatic action was not required for the unchaining of a new war. Peace had certainly been restored in the west and centre of Europe—at least, guns were no longer being fired—and for the time being this was fruitless soil for the manufacturers of arms and munitions ; but in the East things were still lively. In Russia, foreign troops were trying to overcome the Soviet power from the north and from the south. There were a few sanguinary disputes between Poland and the Ukraine, and between Poland and Lithuania. The outlook was far more serious in the extreme south-east. The Greeks, who were the last European Power to enter the World War, felt less desire than anyone else to lay down their weapons again. It was not enough for them that Turkey had been almost completely banished from Europe, that the boundaries of Greece had been considerably extended to the north, and that the whole of Thrace was to belong to them. Before the eyes of the nationalist Greeks, under the leadership of Venizelos, there hovered the vision of a Homeric Hellas, a Greater Greece which should hold sway on both sides of the Ægean Sea, on European and Asiatic soil alike.

As early as the spring of 1919, Venizelos had found a pretext for the realisation of this dream. While

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Wilson, Lloyd George, and Clemenceau were discussing the new map of Europe in Paris—the Italians had just withdrawn from the Council of Four after a quarrel—Venizelos brought them a Turkish proclamation summoning the Faithful to a massacre of Christians in Smyrna. There was not much time to investigate the news. Even if the honour and civilisation of Europe were not involved, at least many human lives were at stake. As the Great Powers had other cares at the time, and no troops were available, Venizelos was authorised to prevent the massacre and occupy Smyrna provisionally. The provisional occupation became a permanent one. The official admonitions issued to Venizelos by the Supreme Council in Paris, calling on him to quit Smyrna at an early date, went unheeded. Venizelos probably knew that they were not very seriously meant. He kept going to Paris with fresh evasions and arguments, and was always listened to, especially by Lloyd George.

His political and financial adviser at this time was his countryman Zaharoff, with whom, there in Paris, he discussed old plans and thought out new ones. And, what is more important, Zaharoff's financial power made it possible for him to begin the work of putting these plans into execution, even without the direct support of the Allies.

The statesman and the financier came together in Zaharoff's villa. Venizelos supplied the great political scheme, towards the realisation of which he worked with incredible tenacity and with all the artifices of

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which he was master. A revolutionary with the bearing of a professor, a clear-sighted ascetic—to all seeming—who neither smoked nor drank, and who, during his leisure hours at the Peace Conference in Paris, became absorbed in the Odes of Pindar or the Lives of the Monks on Mount Athos, he was none the less conscious of his purpose, and, calculating every step, was always on the spot when any advantage was to be gained for his country. This was Venizelos.

Compared with this cool-headed diplomat, who never deviated from his path, however extravagant his plans, Basil Zaharoff, though he was fifteen years older, appeared a youngster. His life in the north, his work behind the scenes, had refined Zaharoff's sense of touch, but at heart he remained the impetuous youth he had been in his adventurous days. No undertaking was too great or too dangerous for him ; none moved quickly enough. In spite of his white hair, he was still the man of instinct, the speculator, the gambler of genius, even though he let someone else deposit the stake.

Now, when it was his actual home of Anatolia that was concerned, he even ignored the business considerations by which he was usually guided. Everything had to be staked to reconquer the land on which he had turned his back more than fifty years before. The Greek campaign in Asia Minor was his own personal campaign. If it were successful, the business results would also be satisfactory, but this was not the immediately decisive factor. Zaharoff, who had started

in business and become involved in politics, had now reached a point when the political aspect was the more important, where power and influence, even though they did their work behind the curtain of history, were more desirable than the making or losing of money. Hitherto, during the War, he had only been playing a part on the fringe of events, and the most he had done was to set a pebble rolling. He was now offered the opportunity of an independent advance, inspired and financed by himself, in which he was the driving force. Even now he would have to keep in the background, but if the campaign were successful it would be *his* work.

While the Turkish Peace Delegation was setting out for Paris to receive the peace terms from the Council of the Allied Powers, Venizelos and Zaharoff were preparing a new military offensive against Turkey. At first they endeavoured to secure the support, or at least the consent, of the Allies. But this was not easy, for during the course of the Peace Conference not only the map, but also world politics, had changed. The attitude of France, which had always been the protector of Greece, and had furthered the plans of the Venizelos party most zealously during the War, was now strikingly cool. The Millerand Cabinet, which had been in power since the beginning of 1920, grew restive when it saw how the English were planting themselves on Turkish territory, and its policy was one of open friendship for Turkey. There was no support to be hoped for from the French. The English, on the other

hand, had achieved their century-old purpose ; they sat in Constantinople and dominated the entrance to the Black Sea. Even though the Supreme Council of the Allies had decided to leave Constantinople to the Turks, yet the town and the straits were for the time being under British rule. Moreover, all danger from Russia in this locality had vanished—and with it the motive which had always made England the protector of Turkey.

Lloyd George was resolved to draw the consequences from the changed situation, and to support Venizelos in his new advance against Turkey. The British military authorities presented objections, so that Venizelos had to forgo the open support of England, though he was sure of the more than benevolent neutrality of the British Government. Moreover, he had an English knight as an ally, whose help was not to be despised.

Venizelos accordingly initiated the offensive against the Turks in Asia Minor. Zaharoff's money and deliveries of weapons brought brilliant results. The Greek troops marched forward swiftly from Smyrna and the Sea of Marmora, and the Turkish state, which was in process of transformation, was unable to check them. In a few weeks they conquered a large part of the Anatolian coast, and would have pressed forward even farther, unhindered, if France, together with Italy, had not stopped the Greek offensive. The peace concluded at Sèvres did not confirm all Greece's conquests, but she received Smyrna,

## THE MONKEY-BITE AT TATOI

together with a broad hinterland as mandated territory.

The victory won by Venizelos in league with Zaharoff was of but short duration. Venizelos had only just returned in triumph to Athens after the signing of the peace treaty—an attempt to assassinate him in Lyons had only increased his fame—when an extraordinary incident caused his power to totter. The young King Alexander of Greece, the second son of the exiled Constantine, was attacked by a monkey during a walk in the park of his castle of Tatoi. The animal suddenly swung down from a tree and rushed at the hunting dogs which accompanied the King, and when the latter went to the help of his dogs, he was himself bitten by the frenzied monkey. Severe blood-poisoning was the result. While the King was lying on his sick-bed the wildest rumours were circulating in Athens. It was presumed that Alexander had been the victim of an attempt at assassination, and that the monkey had been inoculated with bacilli before being let loose. Whatever the truth may have been, the monkey-bite cost him his life.

The burning question of the succession was reopened. The younger brother of the late King refused to ascend the throne so long as his father was alive. The adherents of Constantine, who had been suppressed by Venizelos for years, again became active, and the masses were enraged at the state of siege under which the capital still suffered. In order to provide a

vent for popular feeling, it was decided to summon a Constituent National Assembly.

The result of the elections was devastating for Venizelos. Contrary to all expectation, the Venizelists obtained only 118 seats in Parliament, while the opposition parties obtained 250. No one had anticipated that the victorious Venizelos would be so unpopular. The statesman who had just been received in Athens with jubilation hurriedly left the country, lest worse might happen.

It was not long before King Constantine was recalled by a plebiscite, and, in spite of the warnings of the Allied Governments, made his entry into Athens. In vain did the new Greek Government offer its assurances that Greece would continue in the path of friendship towards the Entente ; France was displeased by the course of events in Athens, and even in England antipathy was increasing. King Constantine continued the foreign policy of Venizelos without change, though with less skill and less prospect of success. He wished to show his people that he was just as enterprising and just as intent on the extension of the state as his great opponent. In the spring of 1921 he again initiated an offensive against the Turks, going himself to general headquarters at Smyrna. This time, however, the campaign did not take so smooth a course as in the previous year. The Turkish National Government in Angora had been strengthened in the meantime, and the first Greek advance was followed by powerful counter-attacks.

France came out more and more unambiguously on the side of Turkey, and even London was gradually getting tired of the adventurous policy of Greece. Venizelos, the great insurgent of the East, had fallen, but the uproar on the *Ægean* Sea appeared to be without end. Why did the British Government not intervene, especially now that a brother-in-law of the ex-Kaiser was at the head of the Greek army ? Why did Lloyd George content himself with exhortations to peace and with tedious negotiations, when it was well known that no Greek Government would dare to wage war in Asia Minor without England's protection ? At whose instigation was all this being done ? Who was the go-between who was leading Lloyd George into this dangerous Eastern policy ?

The name of Zaharoff was first mentioned in the clubs and the inner political circles ; then the first hints appeared in the Press ; but people did not yet venture to draw from his obscurity the man who was behind the Greek campaign. Rumour was easier than proof.

At last someone had the courage to lift the veil—Mr. Walter Guinness, who later became Minister for Agriculture in the Baldwin Cabinet. It was a sultry day in August, and the House of Commons was discussing questions of high politics. Members were submitting complaints from their constituencies. A light-house guard had been pensioned prematurely. Why ? The responsible Minister returned a courteous answer—an intimation had been too hastily acted upon ;

everything would be arranged satisfactorily. The honourable member for Ashton-under-Lyme submitted a very timely motion to extend the hours of sale of chocolate and ice-cream. So it went on, case by case in swift succession. A well-oiled, smooth-running machine. And the next day Englishmen on holiday in the country or at the seaside would read how their members were toiling for them in London during the dog days.

This lasted for an hour, and then the debate took a more serious turn. They discussed the Eastern policy—what the Government had left undone and what it had done too zealously. Suddenly a figure rose from the Conservative benches—it was during the time of the Coalition—to question the conduct of the Prime Minister. This was Mr. Walter Guinness, whose speech left nothing to be desired in the way of clarity. He declared that he had been unable to find any expert, whether traveller or soldier, who approved of the British policy in the Near East, though this did not necessarily signify that the Prime Minister had no advisers. The voice behind the throne—or, rather, to be more precise, behind the Prime Minister—was probably that of Sir Basil Zaharoff. The latter was without doubt a shrewd financier, with international interests in the armament industry. Outside political circles he was chiefly celebrated for the fact that—so it was said—he had controlled the production of arms in four or five different countries. From the British point of view it was much more important

## WHO IS BEHIND THE PRIME MINISTER?

that, though he was English enough to be a Knight of the Bath, he was primarily a Greek, and if it was necessary that the Prime Minister should have advisers at all in foreign affairs, these should be English, and their interests confined to England and the Entente.

Lt.-Col. Guinness's pointed attack was more effective than a dozen thundering orations. For the first time the House of Commons heard the phrase "mystery man of Europe," which, after innumerable repetitions, became the permanent phrase used to describe Zaharoff. He was said to be at the back of English politics and to be leading the Prime Minister along perilous paths.

What did Lloyd George have to say to this? His reply was awaited, but he was silent. The man behind the scenes came forward instead, and—not, one would imagine, without having come to an understanding with Lloyd George—made a public statement for the first and last time in his life. He declared that he had not seen Mr. Lloyd George since the early part of 1919, and that since that date there had been no connection of any sort, either verbal or otherwise, between them. Thus spoke Sir Basil Zaharoff. The newspapers printed it and the world read it, but the message found little credence. The rumours which were circulating in all political circles, and to which public utterance had now been given by a man of the standing of Walter Guinness, were not to be dispersed so easily. Former proofs of friendship and

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more recent events spoke too loudly to the contrary. Why should tried allies part so suddenly, and without visible cause? Since when did men like Zaharoff renounce without more ado their connection with the foremost statesman and the most powerful politician in the land? And why was Lloyd George silent?

Such arguments seemed more probable than Sir Basil's laconic statement. While Zaharoff's *démenti* soon fell into oblivion, the Guinness speech found a lively echo on the other side of the English Channel. In France the Senator Henry de Jouvenel, editor-in-chief of *Le Matin* and later Governor of Syria, initiated the attack on Zaharoff.

“L'homme mystérieux de l'Europe” appeared no less dangerous in Paris than did the “mystery man of Europe” in London; and Monsieur de Jouvenel, most influential of French publicists and politicians interested in the East, tried to bring the figure of Zaharoff before the eyes of his countrymen:

“However mysterious he may be, Basil Zaharoff is not unknown in France. Before the War he showered gifts on our grateful institutions. On one occasion he purchased a journal which was only semi-political, but this was regarded as the whim of a Mæcenas. During the War he established an agency which was to keep the French Press informed, and which was, in fact, the most skilful means of inspiring and directing it.

“The first to be alarmed was, I think, Clemenceau.

## A POLICY "A LA ZAHAROFF"

When that statesman came into power, Zaharoff, like everybody else, was threatened. However, matters were arranged wonderfully well, for shortly afterwards Zaharoff received the Grand Cross of the Legion of Honour. Since then some of the Clemenceau family have entered into business relations with Zaharoff. Zaharoff was the first to be visited by Clemenceau after his return from his Indian journey. Zaharoff must be directly or indirectly the principal shareholder in the paper into possession of which the Clemenceau clique is shortly about to enter.

" We do not reproach this financier, who is at home everywhere, who possesses more than a milliard, who was born in Greece, and who was awarded a knighthood in England and the Grand Cross of the Legion of Honour in France, with having exploited the political influence he has acquired, here and elsewhere, to the advantage of his native country. The scandal consists solely in the support which is given to him, for his home is neither France nor England. The nations are to be pitied which allow themselves to be harnessed to the service of international finance !

" Luckily French policy has regained its independence, even with regard to Monsieur Zaharoff.

" Marshal Lyautey has recently been congratulating himself on the friendly discussions between France and Turkey. If the events in Melilla have had no evil reactions in the French zone, this is to be traced, the Marshal thinks, in great part to the cry which is

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spreading through the whole world of Islam to the shores of the Atlantic Ocean, announcing that France is again ready to become Islam's protector.

"When England has calculated what a policy *à la* Zaharoff, from Egypt to India, will cost her, she will also, without a doubt, be ready to make her peace with Islam. She will then be able to count on our good services, should she desire them. Between England and ourselves—whatever Lloyd George, and even more Lord Curzon, may think—there exists no difference of interests, but only a difference of view."

A policy *à la* Zaharoff, from Egypt to India—Zaharoff's shadow was growing gigantic ! The man behind the scenes, who had once come over from Asia Minor to conquer Europe, and who was now driving the Greeks over into Asia Minor, was carrying the torch of war into the whole Mohammedan world. The disturbances he was instigating in Anatolia would spread ; 500,000,000 people would be stirred up from India to Morocco and turn against Europe, against the Europe of Zaharoff, if the great European Powers continued to follow Zaharoff's lead.

Monsieur de Jouvenel's warning, clearly directed to England, did not influence Lloyd George. Paris was all the more firmly resolved to diverge from the English policy in the East. France made an independent peace with Turkey and withdrew the last French troops from the occupation of Asia Minor. Lloyd George was very indignant at this desertion by France, and sent an angry note of protest to Paris,

## AUBREY HERBERT'S QUESTION

in which he accused his French allies in the plainest language of disloyalty and breach of faith. In spite of his strong tone to France, however, his position in England was becoming weaker from day to day.

Immediately before the Allied Powers met in Paris for a new conference, a fresh campaign against the Prime Minister and Zaharoff commenced in the House of Commons. The attacks did not come from the opposition parties only ; it was again the Conservatives, still in coalition with Lloyd George, who were the most zealous in this respect. The hostile move was directed this time by one of the greatest experts on Eastern matters in Parliament—Mr. Aubrey Herbert, who, unfortunately, made a blunder in his first tilt at Zaharoff. He asked Mr. Austen Chamberlain, who was then leader of the Conservatives in the Coalition, whether Sir Basil Zaharoff had received any financial reward for his support and advice.

Mr. Chamberlain was visibly indignant at the audacity of his Party colleague. He replied that he did not understand the question, and that if his honourable friend wished to bring an accusation, he should make it in plain language.

Mr. Herbert, who was somewhat taken aback, asserted that it had been impossible to avoid the form of a question, since this was the only way in which he could draw attention to Zaharoff's sinister influence. The Speaker intervened and hurled his thunderbolt at the insubordinate member, stating that it was not permissible to make suppositions in the form of a

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question. As if this was not enough, Mr. T. P. O'Connor, the Father of the House, stood up to reprimand Mr. Herbert. He could not understand, he said, how such a question could be put on paper, and how interested motives could be imputed to a man who, like Zaharoff, had performed exceedingly valuable and unselfish services during the War.

Mr. Aubrey Herbert was compelled to withdraw in the face of such opposition, but after a few days he launched another attack, this time more carefully calculated. He complained that the Government, in dealing with the Greek question, had never obtained the advice of the real experts. Sir Basil was apparently the only counsellor of the Prime Minister.

At this artless, and therefore more dangerous, question, Ministers were just as silent as they had been six months previously at the attack of Lt.-Col. Guinness. Another Conservative, Lord Eustace Percy, said mockingly that neither Sir Basil Zaharoff nor anybody else could possibly be reproached with having influenced the Government's policy in regard to Greece, since it was obvious that the Government had never had any clear or systematic policy. While this was happening in the House of Commons, the Conservative Foreign Minister, Lord Curzon, was trying to come to an agreement about the Eastern question with France and Italy in Paris. The grouping was clear—France, now governed by Poincaré, supported the interests of Turkey, while England upheld the claims of Greece. It was a lame enough

## THE GREEK CATASTROPHE

compromise to which they agreed after stormy discussions, and which was to provide the basis for the Greco-Turkish truce. The Straits of Constantinople were to be controlled by an international commission ; East Thrace was to be allotted to Greece ; Adrianople and (most important of all) Smyrna were to be put in an exceptional position. Although the Greek troops were to be withdrawn from Anatolia, they were to be given some months to complete the evacuation.

Greece had every reason to agree to an armistice on these terms, but the Turkish Government saw itself cheated of its military successes. Even if the terms had been more favourable to them, headquarters in Angora no longer had any desire to have the map drawn for them in Paris or London. While Lloyd George was once more parading as the most powerful statesman in Europe at the Genoa Conference, and trying to save the situation for himself, the Allied Commissioners were negotiating with the Turks in Angora. The Turkish Government insisted on the evacuation of Asia Minor as a condition preliminary to the truce.

Public attention in the West was not much stirred by these happenings. It was more amusing to listen to the wordy dialogues in Genoa, to admire the first appearance of the Bolsheviks, and to be astonished that Comrade Chicherin knew how to wear dress clothes. When the Genoa bluff was over, however, and Lloyd George had returned with empty hands,

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it became evident in the Western capitals that the next decisions of world importance would be taken in the East.

Lloyd George was warned from many sides against staking everything on Greece. In the House of Commons, when the sale of honours was being discussed, Mr. Herbert again referred to the part played by Sir Basil Zaharoff in the Eastern policy of the British Government. He declared that Zaharoff had given £4,000,000 out of his own pocket to equip the Greek fighting forces and to prepare them for the invasion of Asia Minor. The consequence was chaos in the whole of the Orient, and it was time that the Prime Minister should rid himself of this adviser.

A fortnight later Greece announced a new offensive against Turkey, and demanded from the Great Powers a free hand to occupy Constantinople. The demand was refused, but, relying on England's support, King Constantine undertook the venture. The Greek troops in Thrace were set in motion, and Smyrna was proclaimed independent under the suzerainty of Greece. The protest of the Great Powers was not taken seriously in Athens. The Turkish Government put itself on the defensive, and after a few days it was proved that the Sick Man, whose decease had so often been reported, was still far superior to the Greeks in military matters. At the first serious collision the Greek troops yielded. One place after another was evacuated, and on September

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4th Kemal Pasha, the President and Commander-in-Chief of the new Turkey, announced his advance to the *Ægean*, which was reached five days later. The Turks occupied Smyrna almost without resistance, and the Greek troops tried to escape across the sea. It was too late. The greater part of the army was captured, Smyrna was set on fire, and the catastrophe was complete. Hundreds of thousands of Anatolian Greeks had to flee head-over-heels from the land in which they had lived since time immemorial. They swept across to Greece in the greatest distress, and brought new misery into the country.

In Athens, where they had just been dreaming of an Alexandrian Empire, all was confusion. The aged Skuludis tried in vain to form a Government. The troops who were streaming back demanded the abdication of the King. A revolutionary committee took over the reins of government, and King Constantine had to leave Greece in disgrace, this time without external pressure—driven out by his own people. The ministers and generals who were responsible for the defeat were tried, and six of them were condemned to death for high treason and executed on the spot. They had to pay the penalty for the tragedy incurred by the instigators and wire-pullers of the Greek campaign.

The storm which was unleashed over the *Ægean* Sea spread swiftly to the West. Even those who had condemned the Greek adventure from the beginning were surprised at the suddenness and extent of the

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calamity. Venizelos, who had spent the last few months in America, exerted himself in vain to obtain support for Greece in London. The atmosphere was exceedingly tense, for the Greek defeat was regarded throughout the world as a defeat of England, and in London people were sufficiently well informed to understand and admit the loss of prestige. Lloyd George's policy had done great damage to the British name wherever Mohammedans dwelt, and had helped France, the protector of the Turks, to triumph.

In whose interest was all this ? In the English Press, even in the most serious and cautious papers, it was openly stated that Sir Basil Zaharoff was the adviser of the Government in all matters appertaining to Greece, and was the real originator of the whole catastrophe. Reference was made to Sir Henry Wilson's remark that it was impossible to understand in whose interest Lloyd George was pursuing his pro-Greek policy ; perhaps it was in order to do Zaharoff a favour. Lord Beaverbrook demanded that the Government should finally close its doors to Zaharoff and his agents. The *Daily Mail* insisted still more vigorously that it should be made clear to Zaharoff that the English people were resolved to be masters in their own house. The Foreign Office statement that Sir Basil Zaharoff had not been in Downing Street for eighteen months was of little avail. In any case, this assertion ill accorded with the even more categorical statement of Zaharoff that he had had no connection with Lloyd George since 1919. The

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attacks against Zaharoff did nothing to mitigate the responsibility of the Prime Minister. From right and left came the blunt demand that Lloyd George must take the consequences of his defeat and resign. But the man who had been in the Government for seventeen years, and ruled the country for six, could not stomach the idea that his glory was now at an end. He tried to show in a speech at Manchester what great and peaceful aims he had pursued with his Eastern policy : he had wished to ensure freedom of trade on the Bosphorus, to keep war out of Europe, and to prevent Turkish atrocities from occurring in Constantinople and Thrace. He would defend this policy against all attacks, for it had been wise and good ; and he therefore had no intention of resigning. Four days later, at the Carlton Club, the Conservatives decided by a large majority to withdraw from the Coalition. Lloyd George had no alternative but to resign.

The General Election supplied proof positive that Lloyd George's policy was not endorsed by the majority of Englishmen. His opponents were victorious, and Lt.-Col. Guinness, who had been the first to raise a voice in Parliament against Zaharoff, was appointed Under-Secretary of State for War. The statesman who had organised the War in England, and carried it to a successful end, had come to grief through Zaharoff.



## CHAPTER IX

THE SATYRIC EPILOGUE

A FAVOURITE IN BUCHAREST

THE MONARCHY IS IN DANGER

BREACH WITH VENIZELOS



## CHAPTER IX

The Greek tragedy did not lack its satyric epilogue. Life or death in Athens ; Lloyd George tottering in London—during those very moments Zaharoff was negotiating a Roumanian loan in Bucharest as though nothing had happened.

The great financier was received in the Roumanian capital with all the honour due to one who had come to put the finances of the country in order. The Roumanian currency had depreciated under the influence of the World War more than that of any other Balkan state. It had fallen to a thirtieth part of its pre-war value, and there was considerable danger of its collapsing, like the currencies of Central Europe. Salvation was sought at the hands of Zaharoff. In the name of the Vickers group he offered £3,000,000—two thousand million lei, a sum that was almost beyond the imaginative powers of the Roumanians. Zaharoff knew what such a sum meant to the country, and he stated his terms accordingly. He demanded as a guarantee the mortgaging of the revenues from the Roumanian railways.

The Roumanian Prime Minister, Vintila Bratianu, the great Liberal leader, was a match for Zaharoff, a chip of the same block—Europe and the Balkans combined in one individual. He was a very conciliatory

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negotiator, but, with all his charm, he did not relinquish one jot of his advantage. The discussions were long drawn out. Zaharoff, who was the guest of honour of the State, was introduced at Court, and the Queen took charge of the second stage of the diplomatic battle, for the Roumanian Government had other cares besides the fate of the currency. The new territories were in a state of ferment, the tension with Hungary was still acute, and peace had not yet been concluded with Russia. Nothing, however, touched the Crown more closely than the events in Greece, for revolution and the fall of monarchies are infectious diseases, against which there is no safe quarantine. The Greek and Roumanian royal houses were, moreover, closely related, the eldest daughter of the Roumanian rulers having become Queen of Greece on the abdication of Constantine. With the prevailing mood in Athens, no one knew whether she would continue to be so on the following day, or whether her husband, King George, might not have to follow his father into exile, as he had done once before, during the War. It would have been useless even to discuss the question with the Greek Government, which was just then submitting its predecessors to the tribunal of the State. If there was one man able to exercise effective influence in favour of the monarchy in Greece, it was Zaharoff. He had been, it is true, an embittered opponent of King Constantine for many years, and had fought him tooth and nail so long as he was on the side of Germany, despising him in his heart as an



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unreliable weakling. Since the fall of Venizelos, however, and the recall of Constantine, Zaharoff had become reconciled to the person of the King and had supported the Greek campaign without caring who was at the head of the State. Perhaps, therefore, it might be possible to win Zaharoff for the young King George. The object appeared sufficiently important to justify concessions to the financier in other directions.

Zaharoff was pampered at Court. The Queen, who still understood how to make the most of her majestic beauty, devoted all her attention to her guest. Even in her private rooms she was entirely the Queen, and when she indulged in her favourite amusement and, with her usual grace, strewed a mysterious powder on the fire, in order to conjure forth a fantastic display of fireworks, Sir Basil, in spite of his seventy years, was unable to resist the charm of such an atmosphere. The light in the Queen's eyes was beautiful, the Court of Bucharest was delightful, and the rate of interest on the loan appeared quite profitable. The request of such charming hosts, that he should put in a good word for the Greek royal family, could not be refused.

Zaharoff went straight from Bucharest to Monte Carlo, whither he invited Venizelos for an urgent conference. Of the two defeated generals, Zaharoff had recovered the more quickly. His stay at Bucharest had shown him that the world which mattered, the world of brilliance and big business, paid no attention whatever to what journalists and members of Parliament might say about him. Such talk could bring a Lloyd

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George to grief, but not a man who still had millions to give away. Zaharoff's instructions, therefore, were quite definite. Venizelos was to continue to work in London, Paris, and America in the interests of Greece. He would also do well to exert pressure on his friends in Athens, the leaders of the republican movement, and persuade them that it was, for the time being, quite unfeasible to eliminate the monarchy. The present King must remain if Greece was not to fall into total disrepute with the Great Powers. A republic might be an ideal worth striving for, but peace and order were more important, and each new revolution meant a terrible danger to the country.

Venizelos was taken aback. So this was the reason for so hurried a rendezvous ! Had Zaharoff fought with him for liberty during ten years, to capitulate now to the dynasty ? There must be interests behind all this which were no concern of a Greek patriot !

Basil Zaharoff was infuriated. Hitherto he had always come to a speedy agreement with Venizelos. So long as his money had been wanted, his word had been decisive. And now this sudden change ! Had Venizelos forgotten to whom he owed his rise during the War ? Or had his marriage with one of the wealthiest ladies in Greece made Venizelos so forgetful ? In that case it was at least peculiar that Venizelos had also forgotten to pay back the money he had been so glad to accept for his political purposes so long as he himself was not a millionaire !

Venizelos, self-possessed as ever, kept himself in

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check to avoid an open breach. He had never taken money for himself—only for the cause of Greek liberty and for the interests of his country.

Zaharoff retorted : “Are you capable, then, of working *against* the interests of our country ?” This touched Venizelos in his most sensitive spot. Money, bribery, intrigues, human lives, war—all these had been only means to the one end, a greater and freer Greece. If he were ever to lose sight of this goal, the thirty years of his political struggles would have been the basest infamy. Whoever supposed him capable of such a thing must himself be a base creature, with whom he had nothing in common. The temperament of the Cretan Venizelos, which had been controlled by a long training in the field of European diplomacy, ran away with him. An outburst of wrath and exasperation put a speedy end to the conversation. Venizelos left Zaharoff for ever.

Zaharoff soon recovered from this epilogue to his political career. Dissonance of this kind had never disturbed him deeply. A politician who first made himself independent of his money and then failed when he was asked to do something in return for former favours could not impress the financier Zaharoff. Patriotism which boasted of principles was no patriotism. What had his friendship with Venizelos brought him, in any case ? Chagrin, failures, and the loss of millions. Could a man who had led him into this be called a statesman, a patriot ? Impossible !

Two years later, when Venizelos wanted to return

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to Paris, Zaharoff had but a shrug of the shoulders for his former ally. "Let him go, this Cretan," he said casually ; "there is nothing in him. If only he would realise it is time he retired !"

This was how a ruler of men shook off inconvenient friends, inconvenient opponents. A wave of the hand—extinguished—they had ceased to exist.

## CHAPTER X

ZAHAROFF'S PRIVATE ORGANISATION

BANKING LOSSES

OIL POLICY IN FRANCE

DISARMAMENT PANIC ON THE EXCHANGE

THE GREATEST TRANSACTION THAT HAD EVER  
TAKEN PLACE IN ENGLAND

COMPETITION IN CENTRAL EUROPE

THE WORLD TRUST IN DIFFICULTIES

A LOSS OF TWELVE MILLION POUNDS

THE JUBILEE PRESENTATION



## CHAPTER X

It is said that the unsuccessful issue of the Asia Minor expedition cost Zaharoff half his fortune. Though this is certainly an exaggeration, his losses, even in relation to his wealth, were huge. Deliveries of arms on credit and money loans were no longer possible, and, perhaps even more important, the great organisation that he had built up during the war in the East had now become useless and meaningless, though it continued to be a drain on his purse.

This organisation was as different from the complex international industries, often intentionally intricate, of the last decade or so, as the personality of Zaharoff was from that of the other great industrialists of the time. The concern which Zaharoff gradually grouped round himself was not a trust thought out according to plan, for the purpose of combining definite branches of industry into a rational co-ordinated system ; neither had it developed in a haphazard way, on the model of those concerns which had been jumbled together during the period of inflation for no other purpose than to exploit the boom caused by the depreciation of money, and without a thought for economic principles. Rather was it adapted to personal ambition, to the methods of work and the political intentions of its founder.

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Everything was directed towards the furtherance of political ends by industrial means and industrial ends by political means. Nothing was strictly defined, either in the political or in the industrial field ; the various departments of the concern worked loosely side by side, acting separately or in harness as the situation demanded. New departments were continually being established, transformed, or liquidated. The deciding factor was the concentration of capital where a definite purpose was to be achieved. From the purely economic point of view it would be difficult to understand why in most cases the transactions were undertaken. The ships belonging to this remarkable industrial squadron were apparently directed from outside, but the real intention of the man in command remained obscure. The riddle is only solved when the industrial are considered in the light of the political events. Even then the conformity is not always exact, though the main outlines coincide.

The more actively and purposefully Zaharoff intervened in politics, the clearer did the parallelism become. Even on the industrial side he kept behind the scenes as far as possible. Wherever he had a hand in the game the same persons appeared—men of rank and distinction, admirals and high state officials, influential aristocrats and energetic members of Parliament. Seldom was his name prominent on the Boards of the different companies, but there is no doubt that he was the driving force, and that he

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directed the whole concern in accordance with his own wishes.

The base from which Zaharoff operated after the War was still Vickers ; but he transferred outside an even larger part of his power and fortune, just as many directors of trusts have done in other countries. Side by side with Vickers he built up a kind of private concern which was less stable and more capable of manœuvre, and which he could therefore employ for his purposes more conveniently than the ponderous old British armament firm.

The centre point of Zaharoff's private organisation was a banking institution, which he used as his house bank, and with the help of which he financed the Eastern campaign. Its name was the Banque de la Seine. It had been an old private banking house in Paris which had conducted small issue transactions for over forty years under the name Banque Mayer Frères when Zaharoff acquired it in January 1918, and turned it into a limited company on a share basis under another style.

The new spirit in the bank was manifested first of all in the rocketing figures. The founders' capital of 10,000,000 francs was increased to 30,000,000 in the following year, and to 60,000,000 the year after that. Zaharoff appeared personally as the chief shareholder, and grouped round him were a number of his friends. Two members of an English shipping family, who belonged to the Vickers concern and were related to Zaharoff by marriage, took up 3,000 shares. A

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Monsieur Gregor Isvolsky embodied the Russian element in the company with 200 shares ; the Greek banking family of Mavrogordato participated to the extent of 1,500 shares ; the Bank Thalmann, which had co-operated with Vickers in Turkey before the War, had 2,000 shares. A Frenchman from Constantinople, Monsieur Léon Pissard, was appointed president of the company.

In March 1920, when the war-clouds were gathering over the Ægean Sea—the Greeks were arming for the offensive in Asia Minor—Zaharoff founded a new bank, the Banque Commerciale de la Méditerranée, which was to function in the territories of the Eastern Mediterranean. It was housed in the former business offices of the Deutsche Orientbank in Constantinople, which had just been occupied by the Allied troops as a punitive measure. The founders' capital of 12,000,000 francs was raised by Zaharoff, by the Banque de la Seine, and by the latter's chief shareholders. Apparently important schemes were brewing down in the East, for only a few months later the capital of the new Mediterranean Bank was raised to 30,000,000 francs. The rumour was soon current that the new Zaharoff Orient Bank was about to amalgamate with the Banque d'Athènes, which was controlled by France ; but nothing came of this. At a time when the differences between France and England in the East were already becoming acute, it was probably no longer possible for an expressly French institution and a Zaharoff bank to unite.

Nevertheless, Zaharoff's domain broadened in the East. During the first Greek offensive, in the summer of 1920, a subsidiary company developed out of the Banque de la Seine. With the public participation of Vickers, the friends and trusted colleagues of Zaharoff founded the Société Française des Docks et Ateliers de Constructions Navales. The object of this company was probably not so much the building of a new dock as the taking over of the extensive dock-yards of the Société Ottomane des Docks et Ateliers du Haut Bosphore.

The plan was already cut and dried, and the capital of the Zaharoff dockyard company was to be increased from 1,000,000 to 15,000,000 francs in order to carry out the fusion, when the Turkish Government, in the midst of severe fighting with Greece, saw in time which way the wind was blowing. It felt no inclination to hand over one of its most important naval centres to the man who was financing Greece. Weak as its position on the Bosphorus was, it yet succeeded in delaying the taking over of the docks, and, after the victory over Greece, it resisted in the most determined manner the demand, now made officially by the English Government, that they should be ceded to Vickers and Armstrong. Zaharoff's Société Française des Docks et Ateliers de Constructions Navales disappeared from the scene a few years later without exciting much attention.

Zaharoff's other Eastern companies also went through a serious crisis after the Greek *débâcle*, and

finally the Banque de la Seine, the parent company of the private organisation, had to realise that the game was up. It had undertaken too much. It was interested in the Oxylyth Company, in the Omnium Maritime Français, and in the Tabacs d'Orient et d'Outremer, while it was connected through the bankers Mavrogordato with the Turkish mining company Balia Karaidin. When the losses due to the transactions in connection with the Greek war began to accumulate, the bank needed capital. Zaharoff first of all tried to bring fresh blood into the bank. The directorate was decked out with new and brilliant names, and a former prefect of the Seine and a *vicomte* adorned the Board. These expedients proved inadequate. At the beginning of 1925 the Banque de la Seine again underwent a severe crisis, and nothing but a radical reconstruction could be of any use. The remaining assets of the bank were put into a new institution, the Société Parisienne de Banque, which began in a promising way with a capital of 60,000,000 francs. Some of Zaharoff's trusty colleagues also migrated to the new organisation, but other financial groups appeared to be dominant. The spirit of Sir Basil no longer hovered over the waters.

The financial results of the miscarriage of Zaharoff's Eastern expedition would probably have been much worse for him had he not possessed powerful reserves elsewhere. Here also there can be seen a remarkable parallelism between his political and his industrial undertakings. Just as the English Government had

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guarded the rear when the Greeks advanced into Asia Minor, Zaharoff was able, in his economic projects, to draw on a source of strength which lay directly within the sphere of interest of the British Government. He had already, before the War, stretched out his hand towards that industry which, after the armament business, was bound up most closely with high politics—the oil industry. When, during the War, the military and industrial value of mineral oil became evident, and a struggle for oil began between the Great Powers, Zaharoff entered the field of oil politics. His interests were closely allied with those of the British Government. The Admiralty had taken over the majority of shares of the Anglo-Persian Oil Company shortly before the War, and had thereby proclaimed the great significance of oil to the State. The more officially the problem was treated, however, the greater did the difficulties become. The Anglo-Persian Oil Company only just succeeded in obtaining a footing in the French Colonies by using the Pearson Company as an intermediary. Even the fraternal alliance during the War did not prevent repeated interpellations in the French Chamber concerning the petroleum concession that had been granted to the English firm of Pearson in Algiers. A request for a new and larger English concession was refused on the intervention of the Chamber. In order to avoid further attacks, the Pearson group transferred the concession to a company which was two-thirds controlled by French capital,

and was to be administered by Frenchmen. When the Board of this new Société d'Etudes, de Recherches, et d'Exploitation des Pétroles en Algérie was examined, it appeared that three of the five Frenchmen were confidential colleagues of Zaharoff.

What ground was there for objection? Sir Basil Zaharoff was not only a British knight, but also a holder of the Grand Cross of the Legion of Honour. He lived in Paris and controlled the Parisian Banque de la Seine. And his nationality? In the summer of 1918 a deputy had had the audacity to enquire in the Chamber how Zaharoff had managed to acquire shares in the Bank of France, since this was only permitted to Frenchmen. The Minister of Finance in Clemenceau's Government had snubbed the impertinent questioner, and had twice given the assurance: "Monsieur Zaharoff is a Frenchman." Could there be more reliable evidence? If Zaharoff was a Frenchman, his capital was good French money, and nobody had the right to suspect him or his confidants of representing foreign interests.

The peculiar international position that Zaharoff had acquired afforded him the opportunity of performing the most valuable pioneer services for British oil interests, not only in Algiers, but in France itself. In the first years after the War, France had become one of the most keenly contested fields of international oil capital. The American Standard Oil Company had established itself in good time in Paris and the French ports, and had found a valuable ally in the



SIR BASIL ZAHAROFF, MONTE CARLO, 1924



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enterprising French Banque de Paris et des Pays-Bas. The English world oil trust, the Shell group, found it a serious rival, especially since Clemenceau was no longer at the helm and a noticeable tension had developed between France and England. In these circumstances it was of the greatest importance that Basil Zaharoff succeeded in securing a firm foothold for English oil capital, and in addition for the Anglo-Persian Oil Company, which was half State-owned, in France.

The path to this goal again led through the Banque de la Seine. Included in the bank's sphere of interest was a shipping company—the Société Navale de l'Ouest, which had carried considerable freights between the Franco-Belgian and the North African ports before the War. After the War this shipping company was enlarged and modernised by Zaharoff. A modern fleet has to make sure of its supply of oil, and, as an agreement with the Anglo-Mexican Oil Transport Company proved inadequate, a convenient pretext was available to open the gateway to France for the Anglo-Persian Oil Company. In February 1921 the Société Générale des Huiles de Pétrole was set up with a basic capital of 100,000,000 francs, the Anglo-Persian Company providing 45 per cent. of the share capital, while 55 per cent. was reserved for French subscribers, though a very large part of the French capital was supplied directly by the Zaharoff group. Chief among the large French shareholders was the Société Navale de l'Ouest, which was controlled by

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Zaharoff ; then came the Banque de la Seine, then another banking institution which was on friendly terms with Zaharoff, and finally Sir Basil Zaharoff himself. In this way the best of all possible precautions had been taken to preserve English interests.

The way had been smoothed by the help of Zaharoff. The oil produced by the Anglo-Persian Company was brought to France by the Société Navale de l'Ouest and sold there by the Société Générale des Huiles de Pétrole. Business was excellent. At the end of 1921 the capital was raised to 227,000,000 francs. Since the fleet of the Société Navale was not itself sufficient to transport all the English oil, a new company was established to purchase tankers. Among the founders of the Association Pétrolière, Zaharoff's Société Navale, the Anglo-Persian Oil Company, and the Société Générale des Huiles de Pétrole (which belonged to both of them) held an almost equal number of shares. The new company also worked with imposing figures, receiving at the outset a capital of 15,000,000 francs (still not much depreciated), which was soon raised to 21,000,000.

Where there is money and power, new forces are soon attracted. The Société Générale des Huiles had a controlling share in the Compagnie Occidentale des Produits du Pétrole, and acquired the petroleum refineries of the house of Paix et Cie. Thus in a few years there was established on French soil, under the ægis of Sir Basil Zaharoff, a great English petroleum concern.

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The English Government, as the majority shareholder of the Anglo-Persian Oil Company, had no reason to make much fuss about this success. When a member enquired in the House about the relations between the Anglo-Persian Oil Company and the Société Générale des Huiles de Pétrole, he received the pregnant reply that the Government had no right to question the Anglo-Persian Oil Company on the matter. The agreements between the English and the French companies were purely commercial and no more. In English Government circles, however, which saw in oil one of the greatest instruments—and one of the greatest goals—of world politics, they knew the value of Sir Basil Zaharoff's achievement. The extension of English oil interests to French territory was of such importance that they could afford to allow a little elasticity in other directions.

All these private interests and new companies of Zaharoff were almost completely concealed from the general public. The Vickers concern was still the great power on which, outwardly, his industrial position was based. As in all other countries, the armament industry in England had made enormous profits during the War, and it was not easy to put the brake suddenly on the car of victory in which it had been driving for four years. It was obvious that the wartime workshops, which had grown to enormous proportions, must be adapted to other purposes and turned to account in other fields, but there was still no thought of a radical and systematic reduction. At

first there was, at any rate, an attempt to maintain as far as possible the armament workshops, and especially the shipbuilding yards. The Admiralty had given an order for four large cruisers, and two large battleships were already in course of construction.

The Naval Disarmament Conference in Washington, summoned by America, upset the calculations of the armament industry. There was still no talk of real disarmament, but the Americans put forward far-reaching proposals—a number of the ships already in course of construction were not to be completed, while the order for the building of the projected vessels was to be countermanded. The number of first-class battleships, according to the demands of Mr. Hughes, the United States Secretary of State, was to be limited in the case of England to twenty-two super-Dreadnoughts, with a total of 600,000 tonnage, in the case of America to eighteen, with a total of 500,000 tonnage, and of Japan to twelve, with a total of 300,000 tonnage. The ratio of the three great fleets was to be stabilised later in the proportion of 5 : 5 : 3, and, what affected the armament industry most acutely, there were to be no new constructions or replacements until a period of ten years had elapsed.

Lord Balfour, the British delegate, made some objections on principle, and stated that a strong fleet was far more necessary for England than for America ; but even England was not disinclined to limit the construction of large ships. As a token of the

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earnestness with which the British Government wished to treat the disarmament question, it stopped the construction of new ships while the Washington Conference was still in progress.

The Exchange, which was interested in the important armament securities, was in a fever. The quotations of the armament companies tumbled overnight, and there was extreme nervousness on the Boards. Vickers, for whom the peril was greatest, resolved not to distribute any dividends to original shareholders, although the net profits in the last year had been over half a million pounds, and another half million had been carried forward from the year 1919.

The situation appeared all the more threatening for the Vickers works since America had also demanded that no more warships should be built in private yards. Vickers enquired repeatedly of the British Government whether it intended to submit to this demand. Only after long delay did it receive the reply that the Admiralty considered the maintenance of the armament and shipbuilding works of Vickers "necessary and desirable." The request for an annual subsidy for the maintenance of the armament works was, however, refused by the Government.

In these circumstances Vickers seriously considered whether it was still wise to keep up its entire organisation. To be on the safe side, it wanted to be sure of a market in other fields. While the reduction was proceeded with very slowly and cautiously, it began to develop new lines as enthusiastically as if the War

was still on and there was no need to worry about the market. The most hopeful of them seemed to be the construction of railway waggons and the manufacture of electrical materials, which were needed in so many fields. Together with the Metropolitan Carriage, Waggon & Finance Company, Vickers acquired the British Westinghouse Company, and shortly afterwards the former company was itself bought by Vickers. From the point of view of the capital involved it was the greatest transaction that had ever been carried out in England. Vickers raised its share capital to £26,500,000 for the purpose, and—even more significant—put £17,500,000 into new investments in a few months. It was a bold move that could only be explained as a legacy from the War period, and by Zaharoff's passion for expansion.

The extension in England was accompanied by an even more rapid growth of the Vickers concern abroad. New perspectives were opened up to the great armament firms of the Entente after the War. Krupp, greatest of rivals on the Continent, had been swept out of the way by the Treaty of Versailles. Germany and Austria were not allowed to re-arm, but there were profitable markets for war industries in the new Succession States of central and eastern Europe.

Schneider-Creusot were the most nimble in the race for these new fields. The French firm laid its hand on the Skoda Works in Pilsen, the largest armament factories in the old Austria-Hungary, and thereby secured the Czecho-Slovakian market. It also made

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progress in Poland. It obtained foothold in the Galician heavy industry, and stretched out its feelers farther to the south-east.

Though this part of the world was quickly allotted to France, there still remained sufficient commercial possibilities for the English armament industry, of which Vickers made ample use. Together with Schneider-Creusot, it founded in Poland the Société Polonaise de Matériel de Guerre. In addition, it developed the timber port at Thorn, on the Vistula, and prepared to construct a shipbuilding yard there. Farther south, Vickers succeeded in securing the Reshitza, one of the greatest heavy industry concerns in Roumania. In conjunction with the Roumanian Government, it ran munition factories and took over the ore mines and factories of Cospa Mika and Cugir in Transylvania.

In Italy its interests were represented by the Terni Company, which also absorbed the Carburo di Calcio, and from which there branched off a new company connected with the electrical industry. In Spain, an old domain of the Vickers concern, there were added the mines of Ponserrada. In order to secure greater freedom of movement in France, it established a special branch company in Paris immediately after the War, in which the same names predominated as in Zaharoff's undertakings in the East.

It carried out a great transaction in America. After a number of purchases had been made, all the

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Vickers interests in Canada and the United States were brought under one control and amalgamated under the title of the Vickers & Combustion Engineering Corporation.

These new organisations and changes to some extent altered the character of Vickers as an international armament concern, but the multifarious nature of the industries only made it all the more unwieldy and difficult to control. In order to avoid the danger of going under, Vickers had incurred another danger which was no less great. The finances of the old firmly-knit concern were strained to the utmost by these fresh undertakings, and every new commercial depression might be fatal to it.

After a very short time it was evident that Vickers had in fact overstepped the mark. The reliance which had been placed on the development of the electrical industry, and on speculation in the heavy industries, had turned out to be delusive. The crisis in the latter, which had involved the whole of England, lasted longer than was expected. The new activities brought with them new problems for the directorate. They could no longer be supervised and controlled in a uniform manner by the central office, and the financial position became more and more precarious. The firm possessed sufficient means to meet its obligations, and could even distribute another small dividend to its shareholders ; but the burden it had imposed upon itself without compelling reason, after the War, threatened gradually to sink the whole ship.

## THE WORLD TRUST IN DIFFICULTIES

The heavy credits which it had allowed the continental states had, for the most part, been lost owing to inflation, and its revenues no longer stood in any sound relation to the invested capital.

Vickers recognised, earlier than many other English industrial concerns, that this state of affairs could not continue. The Board was ready to undertake decisive measures of reconstruction, to render the ship seaworthy once again. A commission of the most prominent English financiers and organisers was set up to investigate the position and to make remedial proposals. The report of these commissioners, which was issued in December 1925, was neither flattering to the Board nor cheerful for the shareholders. Certain of the available assets were worth much less than the balance-sheet stated. The sum of about £12,500,000 was to be regarded as lost, and it was impossible to maintain the concern on its present scale. Only a rigid concentration could avail, and those undertakings and interests whose connection with the concern were not organic had to be discarded. It was necessary to reduce the share capital to a third if the business was to be restored to a profitable basis.

Translated into everyday language, this meant that Vickers was in danger of bankruptcy. The shareholders had to give up two-thirds if they were not to lose everything. Since this gloomy diagnosis was drawn up by authorities like the Rt. Hon. Reginald McKenna, President of the Midland Bank, there was no sense in resistance. Vickers disappeared at one blow

from the ranks of the world trusts, though it was still reckoned among the great undertakings in the English heavy industries. There were also important changes on the Board, and Douglas Vickers, who had been the official head since the War, retired in favour of Sir Herbert Lawrence.

The collapse of Vickers excited great interest throughout the world. Had the times really become so peaceful that there was no longer room for a great armament concern, or was it merely that an over-optimistic Board had incurred its own punishment? A few months later difficulties in the firm of Armstrong showed that the fate of Vickers was at any rate not unique. The other great English armament concern had also brought itself into a serious position by embarking upon every possible kind of industry. It had lost over £10,000,000 after making huge war profits, and the disaster appeared to be even more serious than that of Vickers. The Board asked its creditors for a five years' moratorium.

The English public, however, had no intention of putting up quietly with a second *débâcle* in the armament industry. Armstrong was not let off so lightly as Vickers, but had to pay for its financial collapse with the loss of its independence. After long-drawn-out negotiations, Armstrong and Vickers were amalgamated into one company, and Vickers, which had been the first to pull itself together, had the decided advantage. Not only did the name of Vickers appear first in the new firm of Vickers Armstrong Limited,

but the Vickers company also provided the basis for the new organisation ; and, while the Vickers shareholders received £8,500,000 of the share capital of the new firm, those of Armstrong received only £4,500,000. Disagreeable as the result was for both, Vickers was the real gainer in the competition that had lasted for decades between the two greatest English armament firms.

Vickers's losses also cost Zaharoff a vast fortune, although he had retired and invested the greater part of his private capital in other and more lucrative undertakings. His name was hardly mentioned during the whole process of reconstruction. The man who had been the driving force of Vickers during the twenty years that had witnessed its swiftest progress continued to keep behind the scenes during the years of the firm's decline. Only those in the inner circle at Vickers knew that he still took a very considerable part in the decisions, and that things were most lively during the couple of months in the year when the old man was in the office. There was still big business to be done. In his most intimate field of activity Sir Basil had very little use for intermediaries.

Only once did the whole directorate of Vickers assemble for a small celebration in honour of Sir Basil Zaharoff. On October 14th, 1927, just at the time of the final battle for the establishment of the Vickers Armstrong Company, the chairman of the Board of Vickers handed Sir Basil a cup in honour of the fiftieth anniversary of his connection with the firm.

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All the romance, all the adventure of this strange career culminated at the last in the honouring of a worthy citizen. It was like the celebration of the golden jubilee of an industrious official or a successful commercial traveller—simple, respectable, correct, and slightly comic. Everything was there that the average decent bourgeois could wish for on such a day—the conventional presentation, the address by the chief, morning coats, and an air of solemnity. The cup bore the inscription :

*“Presented to Sir Basil Zaharoff, G.C.B., G.B.E., by the chairman and directors of Vickers Limited on the completion of fifty years’ connection with the company and as a mark of their great appreciation of the valuable work he has done for them and of their sincere gratitude and high esteem.”*

## CHAPTER XI

GUNS AND ROULETTE

THE DYNASTY OF BLANC AND THE  
DYNASTY OF GRIMALDI

A BUSINESS-LIKE PRINCE

MONTE CARLO MUST BE RECONSTITUTED  
ZAHAROFF'S RECIPE FOR MAKING MONEY

A HUNDRED PER CENT. DIVIDEND

THE GAME IS OVER



## CHAPTER XI

Off the beaten track of Zaharoff's armament undertakings, new banks, and oil interests, was his purchase of the Casino at Monte Carlo. This, though not the largest of his businesses, was probably the best, and certainly the least troublesome.

It would be difficult to imagine Alfred Krupp, who, like Zaharoff, was an enthusiastic visitor to the Riviera, giving concrete shape to his love for the Côte d'Azur by buying the Casino ; and it would be equally difficult to think of Schneider-Creusot, William Armstrong, or Thomas Vickers financing roulette and baccarat as a side-line. The armament industry is a business of a peculiar kind, and one which has its own special methods ; it is bound up with political speculations of a remarkable order, and flourishes during the most melancholy periods in the world's history. There is something a little incongruous about the connection between guns and roulette-tables, armoured cruisers and splendid gaming-rooms. Even though the great magnates of the heavy industries do not nowadays feel the heat or hear the roar of their factories, and a modern steel concern can be controlled no less effectively from Nice than from Essen or Sheffield, the sudden transformation of a manufacturer of armaments into the organiser of Monte

Carlo is somewhat bizarre. It is unusual even for a pure financier to finance a war in the morning and a casino in the afternoon. Capital is from its very nature mobile, and can be transferred with ease to that quarter from which the greatest profit beckons ; but there are nuances in the method of its employment, and it is a nuance which distinguishes Zaharoff from the other great capitalists of to-day.

There is nothing to differentiate the Monte Carlo *coup* from Zaharoff's other transactions. It was not his object to win success at the gaming-tables. The excitement of the gambler on the *qui vive* to see whether a ball will sink to rest or a card turn up in his favour offers no enticement to the speculator on a large scale. Zaharoff left to others a hobby so lacking in ideas, so petty, and, above all, so unprofitable. It would have been even more foolish to waste time on the arithmetical systems with which "calculating" players lost their money ; but so long as there were people to sit down at a gaming-table, with or without calculation, it was safe and lucrative to take the bank.

Even the bank at Monte Carlo can be broken, but, as the simplest thought will show, this is only a bogey, or, more correctly, a publicity "stunt" to prove to gamblers what unheard-of chances they will find in Monte Carlo. The worst that can happen is that there may be so many consecutive wins by one or more players at a single table that the *croupier* runs out of money. There is then an interval of a few minutes while the *croupier* obtains a fresh supply from the chief



SIR BASIL AND LADY ZAHAROFF, MONTE CARLO, 1924



cashier. This short pause is sufficient to cause a great sensation each time it happens. The table is closed in a particularly ostentatious manner, the Casino is agog with excitement, and a couple of hours later the news is wired to every corner of the world that someone has broken the bank at Monte Carlo.

There is, of course, no question of the bank being actually broken and rendered insolvent, for the Casino has great reserves and the gaming rules prevent anything serious happening to the bank. The highest stake and the highest win at roulette is 6,000 francs, and 12,000 at *trente et quarante*. It is certainly possible, given the speed of the game, for the bank to sustain very heavy losses for the time being, but, since it has a deeper pocket and plays more regularly than the most consistent gambler, the hazards it has itself prescribed are always in its favour. It has one chance in thirty-six more than the punters, and sweeps the board when the ball rolls into zero. Similarly with the card game of *trente et quarante*. In the baccarat room the bank's profits are still more certain, for it takes from five to twenty per cent. commission on every game that is won by the person holding the bank. The individual profits of the bank do not appear high, but summer and winter, from 10 a.m. to 2 a.m., they mount up. The sums involved can to a certain extent be learned from the balance-sheet which the Casino Company submits to its shareholders every year.

After some false starts the Casino in Monte Carlo was taken over by François Blanc, the director of the

Casino in Bad Homburg, in the spring of 1863, and since then it has become one of the most lucrative businesses in the world. The Société anonyme des Bains de Mer et du Cercle des Étrangers de Monaco, as the Casino Company is rather ceremoniously called, made its founder, a former waiter, a multi-millionaire in francs in a few years. After the death of François Blanc the company remained for a time a purely family concern, in which the founder's three sons and his highly aristocratic sons-in-law, Prince Radziwill and Prince Roland Bonaparte, shared. When the ex-Empress Eugénie objected to a bearer of the name of Bonaparte being a partner in a gaming saloon, Prince Roland withdrew from the family consortium. The Casino was turned into a joint stock company, with a capital of 30,000,000 francs, but though a number of shares were transferred to other hands, most of them remained in the Blanc family. The second generation, however, were for the most part inspired by loftier passions, and the sole control of the bank finally fell into the hands of one of the sons, Camille Blanc. Under his rule Monaco became a world attraction.

Though he himself was able to lay by millions of francs year by year, the profits were sufficient to maintain the whole of the little state of Monaco, including a royal family of expensive tastes, in the most generous manner. The twenty thousand Monegasques who inhabited the country did not pay a centime in taxes. They could afford a luxury budget of two to

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three hundred thousand pounds a year, for the bank was under contract to bear all public expenditure, and bore it as if it were a trifle. The police, the internal administration, the judiciary system, education, religious institutions, all were paid for from the same source—the Casino.

The lion's share was secured by the Prince of Monaco. Once the Blancs had turned Monaco into an El Dorado, the royal house had every reason to assert its sovereign rights. The reigning Prince avowed his detestation of games of chance, which brought his good and worthy land into such disrepute. It happened opportunely that the President of the French Republic arraigned the immoral state of affairs in the Principality of Monaco in an official speech. Very good. The immorality in Monte Carlo should cease. As soon as the concession had run out the Blanc family should be expelled. The princely house of Grimaldi would live as poorly and modestly as before, rather than enrich itself by profits from roulette and baccarat.

Camille Blanc was not greatly surprised by the virtuous sentiments of the Prince. He knew very well what they meant. The Casino would continue, for the Prince's moral convictions were hardly so impregnable as the rock of Monaco ; but the Casino Company would have to pay.

And pay they did. The Prince stipulated that he should receive an annual income of £75,000, which was later raised to £100,000. In addition, £400,000 was to be paid on the renewal of the concession, and a

further payment of £600,000 was to be made in the year 1913. It was only right and just that the Casino Company should build an opera house at its own expense, for this was intended, after all, for the visitors to Monte Carlo. Moreover, the Prince, as the guardian of his people, and in order not to lag behind other princes, must protect his country against hostile attacks. The standing army of eighty men was certainly inadequate as a protection against all the enemies of Monaco. A model fort was therefore to be constructed on the western side of the rock on which Monaco is built. Estimate of cost : £100,000, which the Casino Company had of course to provide. The execution of this military plan, however, was frustrated by the intervention of France.

The administration of the Casino itself was just as expensive as the Government of Monaco. Propaganda and the influencing of the Press cost over £50,000 a year, for even in the paradise of gamblers there were occasional incidents, which had to be explained away by the most urgent representations. In spite of all these expenses, the Casino Company was able in the last years before the War to register a net profit of £750,000, out of which the lucky shareholders received a dividend of 65 per cent. In addition, the company had created a reserve fund of £1,000,000, which was to be distributed to the shareholders as compensation if, by an unlucky dispensation, the Casino should ever have to be closed down.

The War cast a slight shadow even over the little

state of Monaco. The fact that the fort had not been built caused no anxiety, but a number of guests stayed away, the absence of the Germans in particular making a difference to the takings of the Casino. The income of the bank sank from £1,500,000 in the last year of peace to £600,000, in the first year of war. This was a severe blow. The *habitues* returned in the following years, but most of the tables remained empty. Of what avail was it that France, with the most courteous assurance of her esteem, renewed a treaty of friendship and alliance with the Prince of Monaco, and even extended the sovereign rights of the ruler of all the Monegasques? The existence of the country and its Prince was bound up with that of the Casino.

The anxiety of the worthy Monegasques was intensified when business did not immediately get into full swing after the War. The revenues of the Casino Company rose swiftly, but the expenses were dangerously high. In 1920 the Company calculated its expenditure at 40,000,000 francs, and, when the Prince demanded 2,000,000 francs, the Company declared that it was unable to provide so large a sum. Monaco had hitherto been unused to such lack of accommodation. Money was easily earned, but was also given away again with a light hand. As the Company persisted in appealing to its difficult financial position, the Prince became impatient and made the Company submit to an audit. Many distressing things were discovered. The army of employees had swollen to 3,000

persons, the chief officials received princely salaries, new buildings and gardens, of which nothing was yet to be seen, burdened the budget—and on account of all this useless expenditure the Prince had to see his revenues diminish !

Prince Louis of Monaco, an energetic and calculating monarch, was resolved to make an end of this mismanagement, but it was not easy to put his resolve into practice, for a revolution from above against the Casino dynasty of Blanc might destroy the pillar on which the whole state, including crown and sceptre, rested. It might make an unpleasant impression on visitors if talk about measures of economy were too loud or long, particularly as the economies were, in the first place, to be for the profit of the royal house. In Monte Carlo people wanted to amuse themselves and earn money, and not to hear how, and on what, money could be saved. It was therefore necessary to go to work more carefully if the management of the bank was to be reformed. It was above all essential to find a financier who had sufficient capital to assert himself against Camille Blanc, the chief shareholder, and who could put the finances of the Company in order without unnecessary fuss. The right man soon appeared in the shape of Sir Basil Zaharoff, who was no stranger to Monaco. He had spent his winters for many years between Monte Carlo and Nice, when business did not happen to call him elsewhere. He loved this country. Its blue skies reminded him of his native land ; but here the inhabitants understood how

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to commercialise Nature far better than did the men of the Aegean.

Since opportunity offered, Zaharoff was not disinclined to participate in the Riviera business. Why should a man increase his capital only by sending nations to war, and not by providing amusement and distraction for those who could afford it? Business conditions might be unfavourable, but the gambling instinct was more permanent than an economic slump or a depreciated currency. Europe would be solvent again in a few years, and would pay its tribute to Monte Carlo.

So argued Zaharoff—and placed £1,000,000 at the disposal of the Casino. With this capital behind him the Prince was able to carry his plans for reform into serious execution. While Camille Blanc, the President of the Casino Company, was away, the Prince put into force a resolution of the Board that in future the more important measures must bear a second signature, in addition to that of the President.

When Camille Blanc heard of this interference with his ancient rights he was furious. Though he could not be dethroned, the intention was to place him under control, and this control was obviously to be exerted by a confidential agent of Sir Basil Zaharoff. Such was the gratitude of the royal house to the dynasty of Blanc for turning a country that had been neglected and encumbered with debt into a paradise. But indignation was of no use. On the other side was an opponent with whom it was impossible to enter

into a public dispute. Zaharoff, in league with the Prince, constituted a superior force before which even the house of Blanc was compelled to capitulate. In order to maintain a dignified front, the aged Camille Blanc resigned the Presidency of the Casino Company in the early part of 1923 for reasons of health. As a sure sign, however, that it was not only the personal well-being of an old gentleman that was in question, the manager of the Casino, Louis Brun, retired at the same time.

New men took over the administration of Monte Carlo—the confidential agents of the victorious Zaharoff. Alfred Delpierre, for whom Zaharoff, in accordance with the statutes, deposited a parcel of shares, became President, and another of Zaharoff's confidants, René Léon, became manager. Two further seats on the Board were filled by him, and, in order to confer new distinction on the Company, the brother of Monsieur Barthou, the former French Prime Minister, also joined the directorate. The chief control, however—of this there can be no doubt—was henceforward in the hands of Sir Basil Zaharoff.

With the new régime a new spirit entered the Casino. Under the sceptre of the Blanc family Monte Carlo had retained some patriarchal characteristics, in spite of the motley international crowds which frequented it. Camille Blanc watched over his guests with paternal indulgence or severity. He had them spied upon by a whole army of secret police, and turned out with little ceremony any who provided grounds for

## ZAHAROFF'S RECIPE FOR MAKING MONEY

suspicion. The others were accepted, as it were, into the family. They could go in and out of the gaming-rooms without formality or entrance fee. They were to play with childlike zeal ; nothing was to hinder or divert them. When they had lost enough, the Casino Company was magnanimous enough to supply them with their return fare home. In special circumstances, when anyone had lost his fortune after various vicissitudes in Monte Carlo, the directorate went so far in its charitable care as to provide a permanent annuity for its noble victim. The world should not be able to say that it was possible for a millionaire to be ruined at Monte Carlo.

This paternal and provident system was now at an end. Zaharoff's directorate turned the Casino into a correct and prosaic business concern. It became necessary to purchase a ticket at the booking office, and to pay a further fee to enter the more exalted gaming-rooms, where the stakes were higher. If visitors to Monte Carlo wanted occasionally to absent themselves from the Casino for a day, this was not regarded as a sin against the sacred spirit of the place. They could pass the time in a variety of ways, for the Casino Company put tennis courts, golf links, and polo grounds at their disposal, and everybody was to find happiness after his own fashion.

Zaharoff tried, even in his new domain, to remain as far as possible behind the scenes, but Monte Carlo was too small, and it soon became known that the old gentleman with the white pointed beard, who stayed

every year at the Hôtel de Paris, was the successor of Camille Blanc, and that the Casino, the hotel, and the whole glory round about belonged to him. He was not among the popular rulers. This reserved man, with the serious and almost threatening mien, was avoided for preference. It is known that many an individual who turned to him over some trivial matter received a very brusque reply. This, however, only brightened his halo. People feel no pious awe for the wealthy on the promenades of Monte Carlo. They are familiar with the millionaire *habitués* who are attracted to the gaming-rooms year after year. But Sir Basil must be a nabob of a very special order, for he is never seen in the Casino, in the club, or at the tables. A rare kind of saint ! Where can he have got all his money from ?

One morning he was accosted on the terrace of the Casino by a lady, who asked, "Sir Basil, the Casino does belong to you, doesn't it ? Can't you tell me how I can make some money ? "

Sir Basil, who usually just stepped aside from people who tried to question him, could not evade this charming interrogator. "In the first place, madame, the Casino does not belong to me alone, and, in the second place, I am unable to tell you how to make money. But I can tell you how to save it."

"Tell me, how ?" the lady urged.

"By staying away from the gaming-rooms," replied Zaharoff, who raised his hat and continued on his way.



SIR BASIL ZAHAROFF AT MONTE CARLO



## A HUNDRED PER CENT. DIVIDEND

Luckily not many visitors to Monte Carlo follow his advice. The gaming-rooms were filled with guests from every country in the world, and even those nations which, during the War, had been forced to keep away from Monte Carlo, again despatched whole regiments of gamblers to the Riviera. Even in Monte Carlo the authorities showed consideration for the hardships of the time. Although the French franc, which is also the currency of Monaco, had depreciated to a third and then a fourth part of its pre-war value, the Casino did not change the old stakes, and roulette chips could be obtained for five francs. It was only when the franc depreciated still further that the minimum stake was raised to ten francs, though this did not represent even half the pre-war stake.

These concessions to curious birds of passage who wanted to take a look into the gaming-room, and of whom one or the other speedily acquired a taste for gambling, did no harm to the Casino. The turnover, even at its gold value, was not much smaller than in the last years before the War. Under the Zaharoff régime the revenues of the Casino Company swiftly rose to a hundred and then to a hundred and ten million francs. After the administrative reform had been carried out, expenditure was reduced by some millions of francs, so that the Company was able to distribute to the shareholders in the spring of 1925 a record dividend of much more than a hundred per cent.—altogether 43,700,000 francs ; and the chief shareholder was Sir Basil Zaharoff, who had no need

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to repent of having invested a small part of his fortune in Monte Carlo.

Although the competition of the newer Casinos in France, in Zoppot, and on the Adriatic became more formidable during the following years, the Casino at Monte Carlo continued to yield immense profits. The Company was able in three years to put by 50,000,000 francs for the extension of the Casino building and the purchase of an hotel, without any detriment to the dividends. In a few years Zaharoff had received back his "stake," and made greater profits than if he had broken the bank every few months.

After having functioned behind the scenes for five years as chief *croupier* of Monte Carlo, without once having sat at the tables, he retired from this lucrative business. He sold his shares, which he had acquired cheaply during the crisis, at a much higher price. A great part of them was taken over by the Paris banking house of Daniel Dreyfus & Cie., and a new man, Count Pastré, entered the directorate of the Casino Company as a sign of the change of ownership. Zaharoff retained only the Hôtel de Paris, and from now on spent his declining years in real retirement on the Riviera. He did not find it easy to say farewell, but he felt that the time had come. A wise player leaves the table after he has won the game.

## CHAPTER XII

ZAHAROFF MARRIES AT SEVENTY-FIVE

THE DEATH OF THE DUCHESS

THE WORLD FROM A BATH-CHAIR

“MONSIEUR ZAHAROFF DOES NOT SING”

THE MYSTERY MAN OF EUROPE



## CHAPTER XII

In the forenoon of September 22nd, 1924, two large motor-cars stopped in front of the *mairie* at Arronville, a pretty little place not far from Paris. A tall old gentleman alighted from one of them, wrapped in a grey cloak, a large soft hat with a broad brim on his head and a thick stick in his hand. He found it a little difficult to climb the steps of the *mairie*. His arm was held by a lady who was also white-haired, and they were followed by three gentlemen.

The street was empty—even more empty than is usual in this little country town. If the inhabitants of Arronville had known what was happening they would have turned up in crowds. They would have lined the road and could not have been persuaded to stay away at any price. The mayor, however, had preserved the secret well, and had done everything to keep away the curious. He had just been standing at the next corner discussing the harvest with a tradesman and enquiring after the well-being of his fellow-citizens, as was his daily custom. Then he suddenly hastened to the *mairie* to be on the spot at the right moment. He threw on his official coat and tied on the mayoral sash which was the symbol of his dignity. Another glance in the mirror, a tug at his tie—and he was ready for the exalted visitors.

SIR BASIL ZAHAROFF

Everything was prepared when the pair entered the office, where the wedding was to take place, punctually at half-past ten. Monsieur Lachuer, the Mayor of Arronville, assumed his most dignified mien.

" You have come to enter into marriage in accordance with the laws of the French Republic ? "

The banns had been published eleven days before in the regulation manner, and the two witnesses were present. " The third gentlemen ? "—" A member of the family."

The bridegroom — Monsieur Zacharie Basil Zaharoff.

The bride—Madame Maria del Pilar Antonia-Angela-Patrocínio-Simona de Muquiro y Beruete, widowed Duchesse de Villafranca de los Caballeros.

The bride's name was much longer than that of the young girls of Arronville, but the mayor recited it fluently, like a schoolboy with a well-prepared lesson. He was in the picture, for the châtelaine of the neighbouring Balincourt was well known to him.

The ceremony lasted only ten minutes, and the exalted couple gave a donation of two thousand francs for the poor. The cars then carried them back to the Château Balincourt, where the ecclesiastical ceremony took place in the chapel. The local *curé* had, out of consideration for this unusual couple, dispensed with the three weeks' notice prescribed by the laws of the Church, for the bridegroom was nearly seventy-five, and the bride in the sixties. The wedding was concluded by a breakfast in which only the most intimate

circle participated. Some Spanish noblemen were present, and there was also a son-in-law of the Duchess of Villafranca, who from now on was known as Madame Zaharoff. . . .

On their return after a three months' honeymoon, Sir Basil was summoned urgently to London. The financial situation of Vickers had become acute and threatening, and awaited his help. Meanwhile Lady Zaharoff lived, as before, both at Balincourt and Monte Carlo. She was only seldom seen in their Paris home in the quiet Avenue Hoche.

She was tied more and more to the Riviera by illness, though attempts were made to conceal its severity from her. During her last days Mr. T. P. O'Connor, the friend and defender of Zaharoff in the House of Commons, was a guest at her Monte Carlo villa. Without perceiving the imminence of death, she died in the first days of the spring of 1926, after having been married for eighteen months.

Zaharoff was overwhelmed with grief, and he has never got over the blow. Since the death of Lady Zaharoff he has been physically a broken man. A couple of times he managed to drag himself to London to put his affairs in order. Some of his money was invested in the banking house of Japhet. In the extensive offices of Vickers, where he had been the real ruler for twenty years, much was altered. The younger men hardly knew him, and only the initiated were aware of the uncanny power which radiated from the old man. One of his most intimate colleagues said :

"He is still very fond of money." He found it very difficult to give up the transactions by which men, armies, and whole nations can be set in motion. Only when his legs completely denied their office did he resolve to withdraw from his businesses—the Casino at Monte Carlo, the armament undertakings, and the banks. Finally, in the early part of 1928, he resigned the position on the board of the French Nickel Company which he had retained for nearly twenty years as the representative of Vickers.

Zaharoff without employment—what a paradox ! The struggle for money and power continues, but Zaharoff has had to retire from the field. The old man cannot fight ; he knows it, and his days are embittered. The mansion in Paris, from which he negotiated with the most powerful statesmen of the day, and decided war or peace, stands empty. Occasionally a passer-by stops and looks at the great boxes of flowers which have been fixed below the windows, and hardly one of them is aware that this house belongs to one of the richest men in Europe. That is well. No one need know. Zaharoff was never concerned with idle gapers or admirers.

The play is now really at an end, and nothing stirs even behind the scenes. Basil Zaharoff has to admit that a servant takes him about in Monte Carlo in a bath-chair. All that is left to him is to look around from the hotel terrace. Acquaintances come up and greet him with a few friendly words. What does it mean ? What do they want of him ? To convince

themselves that he has grown old and that his powers are on the decline ? He is the only one who knows that. People who are not closely connected with him should be kept away ! Whoever approaches him uninvited can still receive a blowing up. He still has enough strength for that.

He has retained his mistrust for strangers. A couple of years ago a French publicist raised the question which had already been discussed in the Chamber of Deputies—what was Zaharoff's nationality, and how had he acquired his high distinctions ? The sole reply was a postcard with the words : “ Monsieur Zaharoff, n'ayant pas de voix, ne peut pas chanter.” The same cynical answer was received by journalists who tried to interview him at his hotel. The man who so shrewdly employed the instrument of the Press during the War for his political purposes had nothing to say to the public. The adventures of his youth have made him silent. He still has a suspicion that the object of his questioners is *le faire chanter*. Against this he knows a sure preventive—to shut himself off from the outside world, whatever people may think or say about him. He permits the most foolish legends and the most perfidious assertions to pass current without demanding that they should be withdrawn or offering to set them right. Only once did he issue a public explanation —when Lloyd George was reproached with his friendship, and his action on that occasion was certainly dictated by the wishes of the Foreign Office.

The reputation necessary for his activities was

consolidated by high orders and titles. All doors were open to him by reason of his wealth. What use had he for public panegyrists ? If he needed them, a man of his fortune and influence would find no difficulty in procuring a supply ; but a Basil Zaharoff, who knew the world and had learnt to despise it, need not attempt, as though he were a rich American, to make others believe that he was doing everything altruistically, in the interests of his people and of humanity at large.

It was, no doubt, occasionally useful to be regarded as a benefactor of mankind. He once said to his genial old friend O'Connor : “ Whenever I made any money, I always looked round to see how I could employ it in the most practical way for the benefit of my fellow-men.” But his place is not among those multi-millionaires, like Alfred Nobel, Carnegie, or Rockefeller, who took this theory very seriously. His gifts were, in comparison with his fortune, always kept within modest bounds, and nearly always had some visible purpose.

When it came to giving, the man behind the scenes by no means avoided the footlights. After the War there was a concert at the house of Lloyd George, who was then Prime Minister, in aid of poor children, and Zaharoff was among the guests. Celebrated actresses exerted themselves to increase the receipts on behalf of the charity. They sang and recited, and afterwards auctioned an album containing photographs of famous men, including King George, the

“MONSIEUR ZAHAROFF DOES NOT SING”

Prime Minister, and President Wilson. Although there was no lack of brilliance and wealth in the room, it was not found possible to obtain a higher offer than £250. The charming auctioneers declared that they would not let the hammer fall for less than £1,000. In order to soften the hearts of those present, a prima donna sang two encores, harvesting an extra £50 for each. Generosity appeared finally exhausted until, amid the applause of the illustrious assembly, Zaharoff declared himself ready to contribute the £650 still required for the good purpose.

He was not one of your quiet, zealous philanthropists. He gave where it appeared suitable. In addition to his endowments for the advance of aviation, he subscribed 200,000 francs to enable French athletes to take part in the Olympic Games at Antwerp. He supported the Inter-Parliamentary Commission in Paris, and although, so far as he personally was concerned, he regarded the profession of the artist as quite superfluous, he endowed the Prix Balzac in France, a literary prize of 20,000 francs. A gift which came more truly from his heart was the one which he gave for the underfed animals in the Paris Zoo after the War.

The Greek Zaharoff naturally did not forget to provide for his native country. The Greek community in Tatavla, where he had passed his childhood, enjoyed his favour. He endowed a Pasteur Institute for the investigation and prevention of epidemics in Athens, and he gave a quantity of radium for the

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treatment of impoverished invalids to "Evangelismos," the largest hospital in Athens. He put 10,000,000 drachmas—more than £25,000—at the disposal of a general clinic for poor children. He supported a number of Greek students in Paris. Young Greek artists had nothing to hope for from him, for he wanted to keep his countrymen, at least, from such profitless pursuits. Greece was to gain status in western Europe, not as the land of classical ruins, but as a modern state. In order that it should not lag behind the other Powers in Paris, he provided a stately mansion to serve as a legation, and the Greek Government showed its gratitude by conferring on him the Grand Cross of the Order of the Saviour.

The gifts he distributed in Athens were certainly more than a rich man's gesture. The most international of Europe's financiers was united to his fatherland by a deep and almost sentimental affection. In the years before the War he had passed a few weeks in Athens every spring, spending his holidays among his old friends. Later on he assumed altogether the *allures* of the great world of the West. From November to the middle of January he resided in his mansion at Paris and then went to Monte Carlo, while he passed the summer at the château of Balincourt. In between, there were journeys to London and even to America to look after the interests of Vickers. There was now no more room in his programme for regular visits to his Greek home, but in London and Paris, or wherever he had his hand in the game, he

regarded himself as an unofficial ambassador for Greece. Even to his own countrymen he remained the man behind the scenes, who gladly left public fame to others and was content to sway statesmen to his will.

Zaharoff, as a business man, did not separate politics from business. Good politics were, as a matter of course, those which provided him with good business. This iron principle made the war contractor Zaharoff the ally of those Greek politicians who desired war and their country's expansion ; but in the fight for Asia Minor his heart was too deeply involved. He disregarded commercial considerations, and, without stopping to enquire who would undertake the guarantee and pay the bill if the enterprise should be unsuccessful, supplied money and arms in the confidence that the party to which he belonged would be victorious. The business man, for whom politics were usually only a means to an end, became a politician.

This defection from the straight path was fatal both to politics and business. It is the tragedy of Zaharoff's life that he brought about the greatest misfortune when activated by the most unselfish motives. A million and a half Greeks paid for the enterprise of Zaharoff and his friend Venizelos with the loss of their economic existence. The whole of Greece was thrown back years by the unsuccessful issue of the war, and the dream of a Greater Greece appeared to be definitely at an end.

Zaharoff also felt the effects of the defeat, but it would be a distorted analogy to parallel the loss of a

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few companies and the diminution of a gigantic fortune with the banishment from house and home, the misery and distress which overwhelmed the Greek emigrants from Asia Minor. Zaharoff himself never quite realised the responsibility which was incurred by the instigators and financiers of the Greco-Turkish War. People of his type are bad losers. If anything they do does not turn out according to their own expectations, they seek the cause, never in themselves, but always in others. Zaharoff terminated the war by breaking with his friend and ally, Venizelos, but he was also angry with Greece, which had allowed itself to be driven into the Asiatic adventure by himself and Venizelos. He did indeed continue to provide money for a few charitable institutions in Athens after the War, but he made no effort to co-operate in the great and laborious attempt at reconstruction.

When one of his old friends from Athens visited him in Paris and wanted to talk about Greece, Zaharoff warned him off with an embittered : " I do not want to hear any more about Greek matters or the fate of Greece." From these words there emanates the resentment of a man who does not wish to be reminded of the great disappointment of his life. Greece had failed, and was therefore discarded, like a worthless machine that is no longer of any use.

In his heart, however, Zaharoff never became completely reconciled to this disappointment. As a Greek he clung to Greece, and the attachment could not be severed like a business interest. The English

## THE MYSTERY MAN OF EUROPE

knight, the Parisian *grand seigneur*, the financier of the Western Powers, remained at bottom what he had been as a youth on the Galata Bridge at Constantinople—a man on the boundary between two worlds.

The jump to the other shore which he had made in his early years appears outwardly to have succeeded. He found his niche in the Western world with an Eastern power of adaptability. When the English gentleman was regarded in Europe as the crowning work of creation, Basil Zaharoff was a perfect Englishman ; he kept his Parisian house in the English style, and one dined with him *à l'anglaise*. When the situation demanded, he was a good Frenchman, and, if necessary, an impassioned French patriot. He felt more at home in France than amid the English fogs. England was a land in which to do business, and France a land in which to live. Money would buy all the favours that Europe had to offer—honours, luxury, and a blue sky.

Money, however, can help no one to rid himself of his memories. The subtlety of the man from the other shore enabled him to subjugate a goodly portion of Europe, but also drew the dividing-line between Europe and him. It traced around him a magic circle beyond which he never completely ventured, and which procured him the name of the “mystery man of Europe.” It finally brought one of the most successful men in the world to an embittered and dispirited old age.



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